

FAR EASTERN ECONOMIC REVIEW

VOL. X

Hongkong, June 7, 1951

No. 23

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IS THERE AN INTERNATIONAL PLAN?

By E. STUART KIRBY

Up to last year there was much discussion of the prospects and problems of worldwide economic and social planning in and through the United Nations Organisation. The expression "planning" must, in the international sphere, mean co-ordination of the policies or programmes of separate countries. Since the outbreak of the Korean war, and particularly with China's intervention in that conflict, which confirmed her political alignment against the majority of members of the United Nations, the question of international planning of this type has to some extent receded from the public mind. The major powers have decided on vast programmes of rearmament, and this fact in itself changes all the conditions of the international economic problem.

Meanwhile, other general commitments have been under discussion, which also inevitably changed the perspectives of the question. Western Europe, for instance, was moving towards the reintegration of West Germany, while at the same time making arrangements for co-ordinated defence and rearmament under the Atlantic Pact. Asia faces a somewhat similar issue, in so far as the problem of the reintegration of Japan is concerned. Defence and rearmament questions, however, have a completely different aspect in Asia. Their influence lays initial stress, in the Eastern Hemisphere, on the production of raw materials rather than the utilisation of manufacturing capacity. In the longer run, if the pressure of defence and rearmament needs continues, it will presumably strengthen the already powerful desire for national self-sufficiency in each country of Asia.

In these respects the "defence and rearmament" situation makes very difficult, if not impossible, any general progress in overall Economic Development policies for Asia. A year ago, the overriding importance of "Development" planning, for the case of Asia, seemed to be generally recognized. The national or international plans of Europe

or America naturally represented adjustments or arrangements for the full utilisation of an already existing industrial capacity, in and through the structure of a complex and many-sided economy; but Asia's basic problem was the actual creation of that physical productive apparatus, and the evolution of the corresponding social organisation, which also does not yet exist. For Asia, this was the preliminary problem; unless it was solved first, there could be no substantial progress in other respects. And the problem appears urgent, as the over-population and poverty on the one hand, and the unrest in people's minds on the other, are growing cumulatively greater.

Meanwhile, one "overall" scheme had been propounded; namely, the "Point Four" or "Technical Assistance" Program. But its actual scale, in contrast to the great publicity it received before its presentation, appeared extremely small; it suffered a great anticlimax, and very little reference is now made to it. Also one very important regional scheme is on the books; namely the "Colombo Plan," centring on the British Commonwealth countries of S. and S.E. Asia. The Colombo Plan represents a great and significant step, and its moral effect was immediately considerable. But it is not clear whether, and in what sense, it represents more than an arithmetical sum of the already-existing plans of the main constituent countries; to what extent it depends on types of American participation which may not now be forthcoming; how far it may have inherently to be modified, in present circumstances; and how far other countries of the Region, not members of the Commonwealth, may join it. In all these senses, it still appears as a partial, local experimental or conditional project.

To what extent, then, is there now such a thing as an "International Plan" to meet the world's needs for co-ordination and progress in the social field, and primarily in economic matters? Must

the present world situation mean abandonment or nullification of the progress previously made in that direction?

* * *

These gigantic questions cannot be fully answered in an article, but it may here be noted that there are certain achievements of the postwar period, in this field, which may well prove to be permanent, and have provided a groundwork on which constructive activity may be pursued in the nearer or further future, irrespective of any changes in other circumstances. In the first place, certain organisational machinery has been elaborated, which may prove to be of lasting use; and considerable experience has been gained in its operation. In the second place, a measure of agreement has been reached on certain basic principles and policies. The latter are necessarily rather abstract, in the early stages of this evolution—which is something quite new in history, the first time the human race has attempted to deal collectively, or in truly international fashion, with problems on this particular plane. The topics involved are also necessarily very technical, and the basic discussions must largely be those of experts using their specialised terminology at a high level. This abstraction and this technicality have made it easy, or even inevitable, that the discussions and conclusions have been represented, in general publicity and in political propaganda, as vague and unrealistic. Economics has nowadays become an advanced technical subject, to the extent that it can suffer, in this sort of popularisation, in somewhat the same way as other sciences.

It may be useful therefore to outline (i) the nature of the central "International Planning" mechanism, as it exists, and (ii) the measure of specific agreement, on principles, policies or methods, which it has achieved.

* * *

International Economic and Social Planning (in the sense of co-operation and co-ordination, as used above) is a

specific and fundamental point in the United Nations Charter. Accordingly, the United Nations Organisation has a standing committee to supervise, and take ultimate responsibility for, all its work in this field. This is the Economic and Social Council (ECOSOC), and it is one of the six principal U.N. bodies: the other five are the General Assembly, the Security Council, the International Court of Justice, the Trusteeship Council and the Secretariat.

ECOSOC is constituted by the General Assembly; in both of these bodies, decisions are by simple majority vote, and there is not the right of veto which has caused such difficulties in some of the other bodies. The members of ECOSOC are not individuals, but nations, 18 in number, elected by the General Assembly. The states now effective members of ECOSOC are Australia, Belgium, Brazil, Canada, Chile, China, Denmark, France, India, Iran, Mexico, Pakistan, Peru, U.K. and U.S.A. In 1950, the U.S.S.R., Poland and Czechoslovakia withdrew in protest at the U.N. decision about the representation of China. The government of each member nation appoints a delegation to ECOSOC; each delegation designates one spokesman for all occasions. ECOSOC works "in" and "to" the General Assembly, with marked influence and authority. Under this central direction, there is a certain devolution of the specially economic work to regional organisations concerned with the special problems of distinct parts of the world: i.e. the Economic Commissions for Europe (ECE), Latin America (E.C.L.A.), and Asia and the Far East (ECAFE). These are primarily for the collection and collation of information; ultimate decisions must be made, through the intermediary of ECOSOC, in the General Assembly.

Complimentary to this "vertical" organisation, there are the Specialised Agencies of the U.N., each dealing "horizontally" on a world-wide scale with one particular problem or group of problems. These must be briefly identified, if the working of the whole structure is to be understood. The United Nations Relief and Rehabilitation Administration (UNRRA) was disbanded in 1948, its work of immediate postwar relief being then finished. Financial affairs fall largely to the two "Bretton Woods" institutions; the International Monetary Fund (IMF) is designed to meet shorter-term difficulties in the sphere of foreign exchanges and balances of payments, while the International Bank for Reconstruction and Development (IBRD) aims at dealing with longer-term or more fundamental international difficulties on the economic plane, especially the securing of investment capital for basic development in the "backward" countries which most need it. The other organisations specially relevant to the field of economic affairs are the Food and Agriculture Organisation (FAO) and the In-

ternational Labour Organisation (ILO), the latter having existed previously under the old League of Nations for some 25 years. There are also the United Nations Educational, Scientific and Cultural Organisation (UNESCO), the International Refugee Organisation (IRO), the World Health Organisation (WHO), and the International Organisations for Civil Aviation, Telecommunications and Postal Union.

* * *

All the bodies mentioned have performed definite practical tasks in the last few years, of which it is not possible to give details here. It is a pity that more factual publicity is not given to the actual projects carried out, the way they have been handled, and the material results they will bring. Historians of the future may be puzzled at the fuss and attention devoted in the present age, to trivial and incidental aspects of day-to-day events, while really significant matters appear to have no "news value." We hear at length and in detail (for instance) of orations and speculations which may be based only partially on fact, and which may be out of date by the next issue of the evening paper; but little or nothing of (say) a campaign against a crop pest, or the completion of a large irrigation scheme, which may really have some influence on the fate of the human race.

A number of such decisive measures have been achieved, by international collaboration, in all the fields mentioned above; e.g., pests, irrigation, co-ordination of technical or procedural standards, agreements on trade, tariffs, training of skilled workers, trade unionism, exchange rates, international clearings, investment conditions, capital loans, migration, co-ordination of research, etc. A certain amount of international order has thus been introduced in many fields where, before the war, there was a degree of chaos or lack of co-ordination. In this sense, and because many of the specific projects have yielded concrete results, the world's investment in these U. N. Organisations has been a profitable one. There is some ignorant criticism (especially by those who imagine themselves, as taxpayers, supporting large bureaucratic institutions, yielding no practical results) which is simply uninformed, and is on a par with the type of criticism which does not understand the value of education, generalised social services, subsidised research institutions, etc.

It is true that the work of the international agencies, in the postwar period, has been largely preparatory and abstract. Outside Europe and America, especially, they were faced with almost "vacuum" conditions, in certain essential respects. There was everywhere a serious, in places a total, lack of information about economic or social matters. This lack of statistical, factual and practical information has now been re-

medied, to a considerable extent, by the work of these agencies, and with the help of governments. The published material of Asian governments and UN agencies now furnishes a reasonably complete documentation, which certainly compares favourably with conditions in this respect before the war; it now bears comparison also with the corresponding material available in the Western countries, and makes "planning" in the Orient a practical proposition. Similar "vacuum" conditions prevailed, to some extent, in the administrative field; there were no precedents and no machinery for many of the international contacts and institutional arrangements required. In this respect also, the deficiencies have been largely supplied, in the postwar period.

In the first round of discussions, further attention has naturally had to be primarily on the clarification of broad and general principles. Inevitably, one must reach full and final agreement on first principles, before proceeding to a stage of applied schemes for specific cases. There has been such clarification of basic ideas, and the stage of application has now perhaps been entered. A later article will discuss the nature and extent of the clarification of root principles which has been achieved.

Meanwhile, the above lines may indicate the general answer to part of the question posed in the title. There is the apparatus of international "planning." There is a fairly clear idea of what, in the minds of most peoples and governments in the world, is meant by "international planning." There are effective and appropriate organisations with a rational division of labour between them. These organisations are sufficiently broadly and permanently based to ensure that they can continue to function to a fair extent and within reasonable limits, despite general changes in the world pattern such as shifts in the balance of political power, changes from "peacetime" to "full rearmament" conditions, etc. Much now depends on public and personal goodwill, which may now be the only thing which can check the crazy incitements of some politicians towards war. Public and official support of all the practical and constructive work of the United Nations is a necessity of the hour. Talk about the failure of efforts at international planning is not only defeatism; it is simply false.

Supporters of the United Nations feel that there is great need for the United Nations Organisation to establish its own Information Centre in Hongkong. Our only local voluntary body is the Hongkong University United Nations Association, which was the first of this kind in Asia. It invites members of the public to join as associate members. The American Library is to be congratulated for making available to the public a wide selection of United Nations literature.

PEACE PROSPECTS IN KOREA?

The statement by Mr. Dean Acheson before the United States Senate Joint Committee investigating General MacArthur's dismissal, that once the Chinese Reds become convinced that they cannot defeat the United Nations forces there will be a real possibility of working out a stable situation, together with his hint that the United States would be willing to halt the fighting in Korea at the 38th Parallel if there could be assurances given of no further Red aggression, has created much interest and given rise to speculation over the possibility that tentative truce feelers may have been put forward. Mr. Acheson's observation seems to have been emphasised by Lieutenant General Van Fleet's announcement that the Eighth Army's "pursuit phase" of the retreating communists has ended, which has now offset his earlier statement that the Reds would be pursued as long and as far as military operations required.

The failure of the two great spring offensives staged by the Chinese communist army has been sufficient proof—if proof were needed—that the United Nations will not, nor can be, pushed off the Korean peninsula. They are now in a position not only to hold on indefinitely, but have the power to punish the enemy to almost an unbelievable extent when the tremendous forces deployed against the latter are taken into account.

The collapse of the first spring offensive gave rise at that time to a sincere hope that, because of the losses sustained and the vastly superior forces facing them, the Chinese leaders would be prepared to negotiate reasonable peace terms. Every opportunity was afforded them to do so and at the slightest indication that an approach was desired they would have been met more than half way. General Ridgway at that time stated that if the war could be ended at the 38th Parallel it would represent a "tremendous victory". Perhaps the thought of this "tremendous victory" weighed heavily in the balance with the Chinese leaders against any peace feelers, but it is more likely that their Russian allies did not consider peace overtures at that time opportune.

Whatever the reason, these hopes of a negotiated and reasonable peace faded out completely with the reports filtering through following the Red Army's retreat at that time, that all they were doing was to retire well beyond attack in order to stockpile, recuperate, and reorganise another massive offensive. That second offensive has now taken place, resulting in further heavy losses to the enemy and the surrender of large numbers of soldiers along with ammunition and guns—manufactured in Russian armament factories.

This was the first time since hostilities began that reports of soldiers surrendering by their hundreds and even thousands had come through, and it is perhaps permissible to read in this new phase a definite deterioration in the morale of the troops. Indeed it appears that during the recent advance by the United Nations army some sections of the Chinese "volunteer" army were so unanimous on this question of surrender,

that they apparently sat by the roadside in their hundreds simply waiting to be "picked up." These men were wise enough to recognise that surrender was the surest and quickest method of obtaining food, decent treatment and physical safety. It is an encouraging thought that the urge which made these soldiers lay down their arms and ammunition cannot be confined to those groups alone but must be permeating the entire Red army.

It is the callous expenditure of the lives of thousands of soldiers that stands out so glaringly in the Korean war. It has given colour to the assertion that Korea, apart from political reasons, serves as an excellent experimental ground for Russia's military theories, one of which

might well be the testing of massed manpower against modern war equipment. To do this effectively, however, the Soviet Union would need to have supplied more equipment to her allies than seems so far to have been the case.

One of the fundamental differences between democratic and communist tenets is the total disregard for the lives of human beings held by the latter and the precautions taken by the former to save life wherever possible. This thought applies not only to the battlefield, but to all aspects of the nation's social existence. The Chinese effort to win the Korean struggle by sheer force of numbers has contrasted with the United Nations' caution in this respect. The result is startling and it is sincerely to be hoped that the Chinese leaders sitting safely in Peking, are now willing to realise that the

THE RISE OF COMMUNISM IN CHINA

By HU CHIU-YUAN

Contemporary facts have belied the Marxist prophecy that Communism would be first realized in industrially developed countries like Great Britain, France, Germany, and the United States, and in the last British general election the Communists lost even the two seats which they originally occupied in the House of Commons. The first country to achieve a Communist Revolution was not an industrially developed country, as anticipated by Karl Marx, father of modern Communism, but the backward, agricultural, half-European and half-Asiatic Russia. Similar revolutions which Soviet Russia tried to instigate in Europe and Asia in the initial period of her own revolutionary success failed to materialize. The Soviets which flickered for a short moment in Hungary, Bavaria, and Bul-

garia soon died out. It is only in the last few years, more than a quarter of a century after the establishment of the Soviet Union herself, that she has succeeded in creating puppet Communist Governments in Eastern Europe where industrial developments are not particularly marked; and were it not for the Russian bayonet on which the satellite regimes are poised, they would crumble like a house of cards overnight. It seems that only the Chinese Communists have been able to carve out an empire of their own mainly through their own effort, though, to a certain extent, they have been trained, fostered, clandestinely helped, assisted, and armed by the U.S.S.R. If China, being industrially backward, does not need Communism, how can the Chinese Communists vanquish and establish their rule over the four hundred million Chinese people?

It would be insufficient to ascribe the success of the Chinese Communists solely to Russian intrigues and assistance, nor to President Roosevelt's policy of appeasement at Yalta. Neither would it be more than superficial to lay the entire blame at the door of the Kuomintang (the Nationalists) for their corruption, inefficiency, plutocracy, factionalism, and what not. For the fact is that, without Russian assistance and without Yalta and the subsequent "Treaty of Friendship between China and the U.S.S.R.," though the Chinese Communists might never attain their present position of paramountcy in the country, Communism as a problem and the Communists as its active agents would still remain and be powerful forces among the Chinese. It is true that had it not been for the Nationalists' corruption and inefficiency the Communists could not have come into power, but there must be deep-seated causes why the Nationalists were unable to become virile and efficient. How sad that an ancient land with five thousand years of history behind it should fall into Communist hands and through them into those of the Slavs! No one would deny that many Chinese Communists are clever, talented, undaunted, and persevering; why is it that these clever and talented individuals should willingly consent to serve the interests of a foreign race, nay, even to betray their own country and sap the vitality of their own people without the least compunction? The problem is not a simple one; its underlying cause will have to be sought in the cultural, spiritual, and psychological fields. Powerful as the Chinese Communists are at the present moment with an army of several million strong, they were, twenty-nine years ago, merely half a dozen or more bookish students whose main interests were academic. Whatever one may think of their merits or demerits, they could not be without certain charms or hypnotizing influence; otherwise, they could not have successfully undergone

so much hardship and persecution and finally come to control the Chinese mainland. To say that Communism is able to wax strong simply because it is a foreign product is beside the point, as may be seen in the case of Christianity. Christian missions have been carrying on the work of proselytizing the Chinese for several centuries; the Christian standard has once even been raised by Hung Hsiu-chuan in the Taiping days as a revolutionary symbol; and not a few of the modern Chinese leaders are professed Christians. Yet Christianity has never been able to sink deep into the Chinese mind. Obviously the reason for the Communist stroke of good fortune would have to be found elsewhere.

In the opinion of the writer the rise of world Communism is attributable to the morbidity of Western civilization, and the strength as well as the weakness of Communism is to be found in the characteristics of primitive Christianity and the Fifth Column which it possesses. In the case of China, it is able to penetrate into the popular mind because of the spiritual void there. Communism came into prominence not because it was needed by the Chinese people, but because, like a gust of wind, it just rushed in to fill a vacuum. When it had already rushed in, then came the U.S.S.R., the United States, and the Kuomintang, each in its turn, either on purpose or contrary to its own intentions, to lend a helping hand in the Communist cause and enable the Communists to score a decisive victory in the game played for the highest stakes. The Communist conquest of China is, in a word, chiefly due to her internal weakness and secondarily to the international situation, both of which are, in turn, the results of world conditions since the first half of the nineteenth century. Our theme is confined to the first point, but in order to make it clear it is necessary to have a preliminary survey of the situation in Europe where Communism originated.

1. From Imperialism To Socialism

war in Korea is a very costly affair, leading as it has done to the slaughter of thousands of young men who are needed for the rehabilitation of the country.

To the ordinary observer, it is indeed strange that the Chinese soldier has shown such temerity and willingness to sacrifice himself in aiding an ally whose help at the best has been indecisive. After these months of heavy fighting they are manifestly further away than ever from their declared objective of ejecting or annihilating the "invaders". How long is the Chinese Government prepared to continue throwing away young and valuable lives even if they are plentiful?

It has been declared that in view of the fact that the United Nations army does not wish at this stage to bomb the Manchurian supply centres, the Korean war must sooner or later end in a stalemate. Whether this must be so is difficult to predict. It is however clear that the United Nations forces can dig themselves in at the Republic of Korea boundary for as long as it may be considered desirable from a military and political point of view. Whether this would constitute a stalemate remains to be seen, but undoubtedly in time the United Nations sea and air power could make a stalemate over costly and the occupation of North Korea insupportable for the Chinese Reds. The possibility of Russia's starting trouble elsewhere as a counterblast cannot be ignored, but the very thing that is happening in Korea should be a warning to other satellite countries within the Russian orbit, and lends colour to the hope that peace negotiations, if not now, will soon become an actual fact.

The London Economist has once advanced the thesis that Communism is the product of the impact of Western civilization. As a result of that impact in the last fifty years, there is observable in many countries a cultural maladjustment, of which one manifestation is over-population. When the productive technique of a backward country is not able to support its ever increasing population, its intellectual leaders who have been imbued with Western ideas and ideals will come forward to lead the nationalistic and social movements. Such intellectuals were legion in the Czarist and Austro-Hungarian Empires before 1914, and their activities were one of the contributory causes of the First World War. All countries, outside of Western Europe and North America, which are influenced by new ideas but whose economic structure remains backward, have had revolutions under

the leadership of intellectuals, and such revolutions are found in Asia, the Near East, and Africa. The writer of the article in the Economist rightly concludes that the Occident must endeavour to enlist the cooperation of peoples in Asia and Africa on the political, economic, and cultural planes. But what he forgets to mention is the fact that internal weaknesses in Western civilization have made it possible for the intellectuals in backward countries to receive popular support for their revolutionary activities.

Modern Western civilization, whose first beginnings were to be found in the Renaissance and the age of discovery, was fully developed by the time of the Industrial and the French Revolutions. It marked a great advance in human history and represented the unprecedented liberation of man's mind and his productive powers. It made Western Europe its centre and caused the Occident to surpass the Orient both in power and in wealth. Its essential spirit lies in freedom, reason, and the dignity of the individual, and is best represented by the French revolutionary cry of "liberty, equality, and fraternity." Unfortunately, the West took advantage of Eastern backwardness and ushered in the era of colonial exploitation. Thereafter, Western Europe became increasingly disloyal to those principles and ideals to which she owed so much of her own progress. Though the Industrial Revolution is generally dated from the invention of the steam engine by James Watt, a great impetus was given to it by the loot of Madras, as shown by Brooks Adams who, in his "The Law of Civilization and Decay," describes how the inflow of gold and silver into Europe accelerated the Industrial Revolution. In the early years of the nineteenth century tens of thousands of Indians died of poverty. The next victims were Turkey, Africa, and China. Intensified competition for colonies was led by Great Britain, Russia, and France, and was joined by Germany, Italy, and Belgium. Colonial expansion added to the wealth and power of Europe, but at the same time it also caused her cultural decadence. External encroachments led to internal oppression. The golden age of Imperialism was the very time during which Socialism and Communism were gathering momentum. When Imperialism reached the highest point of its development, the result was the First World War.

Lenin has defined Imperialism as the last stage of Capitalism, which is but an adaptation of Hilferding's theory that Imperialism is the newest stage of Capitalism. Both theories are untenable for the obvious reason that Imperialism is much older than Capitalism. Centuries ago the Romans, Arabians, and Mongolians were Imperialists each in their day, but no Capitalism could be found in their midst; whereas the modern Swiss, Danes, and Canadians have a Capitalistic economy, but are not known as Imperialists. The fact is that

though Capitalism is sometimes associated with Imperialism in modern times, the two can be and are frequently independent of each other. A Capitalist country need not be necessarily Imperialistic, but a Socialist one may very well be. The political and economic history of Europe shows that Colonialism and Imperialism strengthen and foster Monopoly Capitalism and weaken and destroy the democratic spirit inside the country. I maintain that Imperialism is possible only where the cultural forces fail to find their equilibrium or the development of Capitalism is unbalanced. There must be one party weak and another strong before there can be aggression and exploitation. As the West is strong and the East is weak, naturally Imperialism emerges.

To deny the elementary rights of man to other peoples will end in the same denial to one's compatriots, and vice versa. The pursuit of colonial expansion by the Imperialist Powers in the nineteenth century led to intensified exploitation and oppression inside the country. In consequence, labour movements arose in Western Europe to agitate for the protection of the workers' rights and became a great influence in European society. Robert Owen in England and other Socialists on the Continent began to devote themselves to the betterment of workers' conditions. Simultaneously, national movements were sweeping over the Russian, Turkish, and Austro-Hungarian Empires where the oppressed nationalities clamoured for independence. 1848 was the high watermark of European revolutions, both social and national. Karl Marx published "The Communist Manifesto," which has exercised a profound influence on all subsequent Socialist movements. There was organized fifteen years after the International Workingmen's Association, commonly known as the First International. Meanwhile men like Kossuth, Garibaldi, and Mazzini were busily engaged in their respective tasks of national liberation. Socialism and Nationalism were developing, indeed, on parallel lines.

Though the Marxists' claim to be "scientific" may be open to question, the contributions which Karl Marx has made to Socialism are undeniable. In the first place, he has laid a philosophical foundation for Socialism which appeals strongly to the intellectuals. Secondly, he has taken pains to prove with voluminous tomes the inevitable collapse of Capitalism. Thirdly, he has suggested a practical scheme for the realization of Communist theories by means of the class struggle and the dictatorship of the proletariat. In the half century before the First World War Socialism was a tremendous force to be reckoned with in most European countries, and the German Social Democrats were especially powerful.

Marx has, however, never been quite explicit as to how the proletariat should proceed to capture political power. Two conflicting schools of thought developed

in course of time: one favoured the peaceful method of contesting for a parliamentary majority and the other advocated violence and direct action. Of the two Friedrich Engels was inclined to the former in his later years. The German Social Democrats made a good showing in the Reichstag, and some of them contributed not a little to the revision of Marxist theories. The English Fabians and Labour Party are both committed to what Trotsky has called the policy of "gradualness." But advocates of violence were found in the Latin countries, where Sorel and the Syndicalists were the animating spirits. In Czarist Russia the Narodniki and the Nihilists, in retaliation for the Government's cruelty and despotism, unreservedly resorted to military uprisings and personal terrorism.

In short, Imperialism arose in the nineteenth century because of the cultural disparity between East and West, the former bowing before and falling victim to the latter's superiority. And Socialism arose because Imperialism caused the cultural degeneration of the West and intensified oppression on the domestic front. In Western Europe where the foundations of democracy are firmly laid, Socialism manifested itself in a peaceful way; whereas in the old-fashioned despotic countries where the middle classes were weak and without much influence, it exploded into acts of violence and terrorism.

2. From Socialism To Bolshevism

Wars are the violent manifestations of cultural morbidity. The two big wars in the first decades of the twentieth century, the Russo-Japanese War and the First World War, promoted the growth of Marxism in Russia and led to its eventual triumph.

The triumph of Marxism in Russia has undergone several stages. The first rumblings of revolution were heard in the years after the Napoleonic Wars when the Russians came into contact with Western civilization and began to realize the barbaric cruelty of Czarist despotism and the dogmatic absurdity of the Eastern Orthodox Church. But the Decembrists were soon suppressed. With the gradual introduction of Western cultural influence, the Russian intelligentsia, torn between the impossibility of an immediate revolution and the inaccessibility of the serfs to cultural benefits, next became sceptics or nihilists who denied the Eastern Orthodox deity and all cultural values. Later there appeared the "V Narod" (or "Back to the People") movement, which split into the West European and the Slav factions, with the latter predominating over the former. When socialism was introduced into the country, the Russians believed that they were gifted with a peculiarly Russian genius and that Russia would not have to pass through capitalism in order to arrive at socialism. These were known as the Narodniki, who, being disillusioned with the futility of humanitarian propaganda,

became terrorists in the first instance and conspirators and believers in violence in the end. Their leading theorist was Bakunin. They, like their predecessors, were also suppressed by the greater violence of the Czarist agents. In the eighties of the nineteenth century Marxism developed with the development of industries and gave much encouragement to the Russian intellectuals. The "father of Russian Marxism", Plekhanov, who had originally been a member of the Narodniki, turned round to embrace Marxism. He elaborated it and educated not a few of the rising generation such as Martov and Lenin. He organized the Social Democratic Workers' Party, the forerunner of the Russian Communist Party, whose influence was much increased following the defeat of Czarist Russia by Japan in 1905 and the consequent exposure of the Czarist regime's weaknesses. Two years previously, the Party had split into the Mensheviks and the Bolsheviks, with Lenin as leader of the latter who became gradually stronger with the passage of time.

The ruthlessness of the Russian Communists is a classic instance of the influence of the environment. Being a Jew, Karl Marx was profoundly inspired by a sense of injustice and a sense of hatred at the same time. But Lenin, whose elder brother was a member of the Narodniki and was murdered by the Czarist Government, had an even stronger sense of injustice and of hatred. As the Czarist Government was the worst and the most barbaric reign of terror based upon the secret police, it set an example to the Communists and taught them how to hate and take vengeance. Extreme begets extreme. The Russian Communists, living as they did under the shadow of the secret agents, could not help learning and taking to heart the enemy's tactics. That is how they became so adept in secrecy, deceitfulness, and conspiracy. Though they were mortal enemies of the Orthodox Church, they had appropriated its dogmatic spirit.

It will be recalled that the Russian Communists came into power in 1917 in succession to the Kerensky Provisional Government, which was unable to retain power because of the weakness of the Russian middle class. The Communists were assisted by the Germans who wanted to sow discord among the Russians and secretly sent Lenin in a sealed car back to Russia for the purpose. Lenin, Trotsky, and their fellow-Bolsheviks proclaimed the slogan of "Peace, bread, and land," won over the workers, peasants, and soldiers, took the lead in the Soviets, overthrew Kerensky, and established the Bolshevik Government.

Why should the proletarian revolution first succeed in industrially backward Russia? Lenin's answer to the question is interesting. He said that it was because Russia was the weakest link in the capitalist chain. According to him, there is more likelihood of a proletarian revolution in the less de-

veloped capitalist country, whereas "scientific" Marxism teaches that the proletarian revolution is the natural result of the concentration of capital. Though Lenin's theory might well be employed to explain away the Bolshevik Revolution in Russia, the Chinese Communist movement, and the wide-spread Communist surge in Southeast Asia, it shows unmistakably what a wide gulf there is between the Leninist and the Marxian Communisms. It would, indeed, be truer to say that the Leninist type of Communism resembles more the "artificial revolution" of Blanqui and the "direct action" of Sorel rather than the "socialism" of Karl Marx. It should be pointed out in this connection that Lenin was the advocate and inspiring genius of the Soviet Revolution, and that Soviet means "a council of workers, peasants, and soldiers," and not the proletariat.

Lenin had been a follower of Plekhanov in his youth and had opposed the Narodniki. But when he returned from his Siberian exile, he proved himself an eclectic by maintaining that the Marxian theory was sound but the methods and revolutionary spirit of the Narodniki were equally sound. In the matter of Party organization, he was an absolute advocate of the centralization of power and of strict discipline. He would have the "revolutionary professionals" form the nucleus of the Party and would resort to conspiracy and violence. On the basis of these views, he forged the Bolsheviks into a fighting machine. But the Bolsheviks whom he led were rather cross-breeds between Marxists and the Narodniki, brought up in the traditions of the Greek Orthodox Church, Czarist despotism, and serfdom. And Bakunin, the leading theorist of the Narodniki, had been a champion of peasant revolts and had justified the use of all inhuman and immoral means to attain revolutionary aims. The Bolsheviks naturally inherited from him this peculiar slant.

It goes without saying that Lenin was a genius in a way. In the astuteness of his political insight, in his extraordinary physical resilience, in his ability to arouse popular emotions, and in his organizational powers, he seldom has an equal. At the same time he was also an idealist of no mean order. His deadly attacks on Imperialist wars, his opposition to the Second International's rally around the fatherland, his insistence on "peace without reparations and without indemnities," and his emphasis on internationalism and the dictatorship of the proletariat were all logically consistent with strict Marxism. Nor can it be denied that he was a brilliant strategist. The essence of his strategy lies in his ability to gauge the revolutionary ebb and tide in order to remain on the defensive or to take the offensive, as the situation may require; to make ceaseless search for transitional periods advantageous to the revolutionary cause; and to win over temporary allies and an outer circle of sympathizers. Thus, in view of the Russian backwardness in

industry and trade, he allied himself and his Party with the peasants; and, in view of Russian isolation and the apathy of European workingmen towards the Russian revolution, he strove to win the sympathy and support of the colonial and semi-colonial national movements in the Far East. What present-day Communists call the "United Front" is a direct legacy of Leninist strategy. But when all these have been said and conceded, one must not forget to add that Lenin was also a first-class opportunist and a super-Machiavellian. He had openly urged the use of all intrigues, deceptions, and falsehoods as well as the necessity of compromises, shifts, expedients, about-turns, retreats, and cunning. He was, furthermore, a fanatic believer in violence and a terrorist. "To revolt is an art," "Force is the guaranty of the proletarian dictatorship," "Answer the White Terror with the Red Terror," and "To be generous to the enemy is to be cruel to oneself" are some of the choicest morsels of Leninist wisdom.

All absolutists are men who believe in their own righteousness and do not brook any difference of opinion. Men of this type, though they may be actuated by the purest of motives, often end in being callously cruel without knowing it themselves. "We have taken endless pains to discover such edifying truths for you," they seem to say, "and yet you are so ungrateful as to reject them altogether. What impudence!" When these ministers of the divine message have worked themselves up to such a pitch, they are likely to see red and be blood-thirsty. Classic examples of the kind are to be found in the Medieval Christian Church, the inspired Mohammedans holding the Koran in one hand and a sword in the other, the Liang-shan-po robber-barons (the Chinese Robin Hoods) who "carry out the will of Heaven," and the Russian nihilists. The hero, in one of the Russian novels, is a generous soul and a humanitarian, but is misunderstood by his fellow-men. He becomes mad, by reason of his misunderstood intentions, and finally shoots at one and all whom he meets. Lenin was an absolutist on the one hand, and an inheritor of the terrorist traditions of Russian history on the other. Both combine to shape his philosophy of hatred and fanaticism.

Zinoviev once defined Leninism as Russian Marxism, a definition which is strictly "scientific," though repudiated by Stalin. The facts are that Lenin fought against Czarist serfdom and secret agents but succeeded in instituting a new serfdom and new secret agents; that he battled against the Greek Orthodox Church but succeeded in establishing a new orthodoxy; and that he inherited the cruelty of the Tartars, the cunning of the Russian peasants, and the violence and terrorism of the Czars and the Narodniki.

Lenin not only shook the world with the dramatic nature of the Russian Revolution under his leadership, but the

doctrines he enunciated and the Party he founded have also exerted a magical and powerful influence on many lands and peoples. The following are perhaps the most important aspects of his influence.

(1) On the purely theoretical level he has made significant contributions to dialectics and materialism; he wrote the "Notebooks on Hegel" and "Materialism and Empirio-Criticism," which revealed a high degree of the speculative talent. On the other hand, he also laid due stress on technique, an example of which is furnished by his formula, "Soviets plus electrification is equal to Communism." In addition, he was gifted with the scientific spirit.

(2) He was an idealist in his denunciations of wars and Imperialism and in his championship of Internationalism. He won much sympathy from the backward countries by his advocacy of co-operation between workers and peasants and of concerted action between social revolution and national revolution.

(3) By posing as a prophet he spoke of the imminent demise of capitalism, the overthrow of Imperialism, and the inevitability of World Revolution with the consequent triumph of Communism and universal peace. His prophecies partake of the nature of primitive Christian gospel and are characterized by a spirit of romanticism. While they may not be potent instruments in Europe and America, they are able to appeal strongly to the youths and peoples of backward countries in the same way as the Chinese popular conception of a "god on earth" (or a divinely ordained Emperor) used to appeal to the ignorant but not to the intellectuals. Lenin's hysterical attacks on Kautsky in order to prove his own Marxian orthodoxy had in them as much piety as the medieval friars, and they enabled him to win over to his side large numbers of professed Socialists.

(4) Though Lenin had once declared that Marxism was not dogma, he eventually made dogma out of "his Marxism." He insisted that the Party cadre should be composed of only "revolutionary professionals," and he endeavoured to train as many of them as possible. These professionals all took Marxism as their Bible, regarded the achievement of World Revolution as their life work, looked upon the Party as their home, and lived a life of struggles, imprisonments, exiles, revolts, and dictatorships. Communists of this type might well be described as a religious order. Furthermore, Lenin invested the so-called "iron discipline," by means of which the supremacy of the central authorities were asserted. He made painstaking studies on strategy and tactics and propounded the theories of revolutionary ebb and tide, of defense and offence. He particularly pointed out that secrecy was the very life of the Party. He taught his followers to cover up their own identity and strive to win sympathizers, to spread rumours, to split the enemy, and to use the wooden-

horse strategem by which the Greeks sacked Troy. He trained them to employ military methods and military terminology such as "battles," "struggles," "battle-fronts," and a string of similar terms. In this way, the Communists became a religious order and a military machine in one. They are in a position to appeal strongly to young people in times of instability, because they can give vent to their pent-up vitality and satisfy their instincts of curiosity and pugnacity.

(5) Lenin was a better propagandist than Napoleon and a better psychological warrior than Genghis Khan. He knew how to make use of workaday problems as material for propaganda and conclude all discussions by sounding the note of World Revolution. Like all other Communists after him, he preached the gospel of Communism even as a minister of religion preaches sermons before a congregation. He spoke with dogmatic authority; he made universal propositions—affirmation of his own stand and negation of his enemy's. He knew best of all how to besmear his opponents, induce and threaten the neutrals, and disintegrate the enemy's will to resist. He and his followers were adepts in creating atmospheres favourable to the work of organizing Communist cells: their manoeuvres could deceive no one in communities with a high cultural standard, but, in backward areas and especially to young men and women easily swept off their feet by rhetorical flourishes, were potent influences in sowing discord and instigating discontent.

(6) All Communists the world over are characterized by their blind devotion to the group, which manifests itself in regarding oneself as all white and the enemy as all black. Even among themselves they differentiate between the inner circle and the outer ring. They differ from the British Labour Party in that the latter is based on trade unions while they draw a sharp line between the cadre and the masses. Lenin used to call Trade-Unionism bourgeois, and thought of the Communist Party not as a workingmen's Party, but as one composed of the most advanced and most conscious elements among the workers. The Communists are divided into several concentric rings; the nucleus and the masses are segregated, the latter being directed by members of the outer ring. To the inner circle belong the professional revolutionaries who are segregated from society at large as soon as they join the Party and lead a one hundred per cent Party life. The Party will support them through thick and thin and they, in their turn, must never depart from the Party line. These wire-pullers are usually inordinately ambitious individuals who give scope to their vital energies in the dynamic organization of which they are members. They direct the whole movement through the outer rings and legally constituted social bodies. A few of them, when they

become intellectually mature, might wish to abandon their disagreeable job, but since they have long been committed to the Communist cause and have lost all other contacts with normal social life they will have to stick to the end and live or die with the Communist Party. Moreover, the rules of discipline make it impossible for any individual member to stand aloof from the Party. These are so many reasons why Communists are determined fighters fighting to the bitter end.

From the above cursory review of the Communist position, it will be readily seen that the Russian Communists possess a combination of disparate qualities, namely those of primitive Christians, of Franciscans and Dominican friars, of Freemasons, and of contemporary secret agents and Fifth Columnists. This, no doubt, is partly due to the influence of Russian history, the despotism of the Czarist Government, and the cruelties of prison life. But the spiritual weapons were furnished and the nucleus of revolutionary professionals was organized both by Lenin himself. The former consisted in "struggles" and "confidence in eventual Communist triumph," while the latter was merely a gang of conspirators and adventurers. Being possessed of these composite elements, the Russian Communists have proved themselves to be explosive, dynamic, and aggressive. On top of it all, the cruelties they endured in the period of the civil war and the hardships they passed through during the period of foreign intervention have further steeled them to undertake the tasks confronting them.

When Lenin was still battling with the Mensheviks and the Second International, he was forced to rely heavily upon the authority of Marx and consequently enhanced the dogmatic nature of the Communist Party. After the death of Lenin when Stalin was battling with Trotsky, the former had to rely heavily upon the authority of Lenin and consequently enhanced still further its dogmatic nature. In the initial period of the November Revolution it was merely a dictatorship of the Soviets in which other Parties had a share, but after an attempt had been made upon Lenin's life a reign of terror was inaugurated, leading to one-Party dictatorship which, in its turn, became a dictatorship by the Politbureau and eventually by the Secretary-General of the Party. At the end of the historic conflict with Trotsky, the terrorist tendency became still stronger. Let it be mentioned in this connection that for factional conflicts to lead to mutual slaughters is but the natural result of cliquy politics, an outstanding example of which is to be found in the Taiping Rebellions. The nationalistic sentiments in the Bolshevik Party grew stronger ever since the days of foreign intervention, and it was not fortuitous accident that the failure

of the World Revolution to materialize should compel the Bolsheviks to turn to Socialist reconstruction in one country. The longer they tasted of the sweetness of power, the keener they were to retain it; the keener they were to retain power, the more likely were they to adopt the technique and methods of the old ruling class. Just at the moment Nazi Germany and jingoistic Japan were threatening the Soviet Union from west and east, so that the Russians had to make active preparations for war. The consequence of all these is the reemergence of Pan-Slavism in a more sinister and threatening form. Stalin today, motivated by fear of the outside world and the will to power, has lost all the idealistic elements of the age of Lenin and has become an undisguised Pan-Russian Communist Imperialist. Lenin had been an exile abroad for a number of years, knew and respected Western civilization, and often spoke, even after the November Revolution, of the progressiveness of Europe and the backwardness of Russia. But Stalin knows nothing of the sort: to him Russia is supreme to all.

Socialism, to the Slav, meant Leninism in his youth; now in his middle age it has become Stalinism. Communist Parties in the other countries were, in the age of Lenin, fraternal organizations standing on an equal footing with the Russian Communist Party; now they have become simply so many instruments in the service of Stalin. The rise of Communist Parties in the other countries in the age of Lenin was principally due to their fervent espousal of Marxism and their deep-seated sympathy for the Russian experiment. Even Lenin, in his day, had to rely chiefly upon them in order to disperse the Imperialist strength and to frustrate the Imperialists' attempt to encircle the Soviet Union. But ever since the accession of Stalin to supreme power, they have gradually receded in importance until they are now no more than sounding-boards and Fifth Columnists for Soviet Russia. The reasons which make it possible for Stalin to compel their unquestioned obedience are partly psychological and partly a matter of technique. In the first place, the idealistic elements in the Marxian-Leninist heritage constitute the fundamental reason why all Communist Parties the world over are willing to accept spiritual guidance from Russia, which, being the first Communist country, is naturally looked upon by them, in the field of national reconstruction, as intimately bound up with their own future destiny. The Russian propaganda in favour of peace is also an important factor in winning adherents. Without such spiritual weapons Soviet Russia would not have been able to ingratiate so many of its supporters to action. This is true not only of Communists in backward countries, but even of many prominent individuals in Britain and Canada who served as Russian agents in the Canadian atomic secrets cases, in which

genuine sympathy for Russia played a far more important role than pecuniary inducements. Secondly, there comes the increasingly religious character of Communism, which has become a new religion with Karl Marx as the God-head, Lenin as the prophet, Stalin as the pontiff, and Moscow as the Holy Land. In addition to the sanction of conscience which Communism, in common with religion, imposes on its followers, it wields a still more potent weapon in the form of Party discipline. The Russians successfully smother all nationalistic sentiments in other Communists in the name of the Third International, and ingeniously install some adventurer from a small country such as Hungary, Finland, or Bulgaria, as the International's Secretary-General in order to demonstrate that they are not monopolizing the whole show. Thirdly, with the two reasons just enumerated as a background, Stalin is enabled to strengthen the hands of his henchmen in the different countries and, at the same time, to purge the non-obedient. Fourthly, owing to the policy of segregation practised by the Communists, they are able to exist only by relying upon the Party; similarly, the different Communist Parties of the several countries are able to exist only by relying upon the Third International, which is another name for Soviet Russia. As a result of this state of affairs in the thirties, many honest Communists had no alternative but to commit suicide; the non-conforming elements were persecuted, e.g., the late Mr. Chen Ti-siu of China; and only the unscrupulous remained to bow to the will of the Bolsheviks. Though the latter category of revolutionary professionals are all men of exceptional ability and great ambition, they are, nevertheless, compelled by the force of circumstances to follow slavishly at the heels of their Russian masters. What an irony that these men of indomitable wills should dance to the tune of another! Tito has good reasons to be proud that in a world of obsequious Communists he alone has enough backbone to stand up unbowed.

3. From Communism To Fascism

The First World War produced a twin in the form of Communism and Fascism, but Communism is without doubt the elder of the two.

Communism believes in dictatorship and violence; it is opposed to capitalism and democracy; its basic adherents are the aimless intellectuals and the proletariat; its chief weapon is the secret police. The same is true of Fascism, whose founder Mussolini was originally a Marxian Socialist; the theory and practice of Fascism are derived mainly from the teachings of Sorel and partly from those of Marx and Lenin. Communism and Fascism inspired and learnt from each other; both were dynamic and revolutionary in character. Stalin and Hitler, who emulated one another, deve-

loped these latter tendencies still further and became the very paragon of their respective creeds.

But as soon as Fascism came into power in the early twenties in Italy and the early thirties in Germany, Mussolini and Hitler did not hesitate to persecute the Communists with a ruthlessness, of which only the Communists themselves are capable. The massacres which Hitler perpetrated were, it must be conceded, inhuman and repugnant to the civilized man's conscience. Still, not a few extremists would hold that if you would oppose Communism you had to be a Fascist. The Communists, on the other hand, reciprocated the hatred of their mortal enemy and considered the Fascist rule as undisguised bourgeois dictatorship.

For all their ostensible opposition, however, the two dictatorships have really much in common. Both profess to be socialistic, and their type of socialism aims at the regimentation of all lands, factories, thoughts, and actions by their one-Party Government. The Marxian dichotomy of society into bourgeoisie and proletariat is of questionable validity, and the Communist attempt to differentiate between a bourgeois and a proletarian dictatorship is pure propaganda comparable to the Hitlerian propagandist slogan that "all Communists are Jews." One has to remember that among the many extraordinary theories entertained by the Communists there is one which is especially germane to the subject under discussion. They used to hold that Fascism is but the prevailing theory anterior to the advent of the Communist revolution and that it is the last stage of bourgeois domination, after which Communism is ushered in as a matter of course. Viewed in this light, Fascism is not an evil genius but a most welcome agency. People were so accustomed to mutual recriminations between Nazi Germany and the Soviet Union before August, 1939, that when the two countries finally came to an agreement in that month everybody seemed to be amazed. But the anomaly can be easily explained if one bears in mind the theory just referred to. Hitler and Stalin each regarded himself as the future master of the world and could afford to be generous to the other fellow. That is why the Kremlin dictator was perfectly ready to hand back many German Communists, who had taken refuge in Russia, to the Fuehrer for punishment. Even to this day some Nazi remnants in South America are publishing a magazine, *Der Weg*, which insists that in the event of a Third World War the Germans can find their salvation only in Soviet-German cooperation. The Soviet Occupation Army in East Germany is also openly advocating cooperation with the Nazis. Hitler's spectre is, in fine, continuing to haunt the Kremlin palace.

Granted all that has just been said, how is one to explain the antagonism between Communism and Fascism and the Soviet-German War which even-

tually broke out in 1941? These, let it be emphasized, are merely matters of power politics and of tactical manoeuvre. Hence Communists and Socialists used to quarrel, and Stalin and Trotsky each used to be inimical to the other. But could it be claimed on this showing that there is a greater divergence of opinion between Stalin and Trotsky than between Stalin and Roosevelt?

Disregarding superficial differences between Communism and Fascism, one finds that there are as a matter of fact numerous points of similarity. Both are excrecences of Western culture, the end results of the decadence and disintegration of European civilization. Both arose as a reaction to the imperfections of Western democratic institutions and as a counterpoise to Imperialism. They are gangs of adventurers and advocates of violence. Both of them challenge democracy with only this difference: wherever the middle classes are weak and these adventurers are able to have everything their own way, there you have Communism; wherever the middle classes are strongly entrenched and these adventurers have to compromise with the economic and social powers that be, there you have Fascism. In a word, one is a dictatorship of the left and the other a dictatorship of the right.

There are, of course, certain differences between the two. Communism has more of the idealistic element and appeals to the intellectuals more strongly than Fascism. It is less irrational and plays on mass psychology, whereas Fascism exalts the superego and the hero and smacks of mysticism. Their trade-marks are different: one is known by its class theories and the other by its racial theories; one ever harps on the economic interpretation of history and the other on geo-politics. But sometimes they also copy each other. Thus, one speaks of the opposition between bourgeoisie and proletariat and the other of the "haves" and the "have-nots." Hitler, in his day, was notorious for his anti-Semitism, and Stalin has recently been showing the same tendency. The most fundamental difference between the two creeds, however, is this: one believes in the manifest destiny of the Slavs to rule over the whole world and the other in that of the Germans. As Ingrim has well noted, though Fascism, Hitlerism, and Stalinism are three distinct terms, they all come under the general scientific name of National Socialism. It is only natural that those who want to be socialists and are yet opposed to democracy will end, willy-nilly, in being Fascists.

When West European civilization betrayed its own principles, it gave rise to Communism and Fascism, the twin creeds based on violence. And as soon as they are strong enough to stand on their own feet, they throw down the gauntlet to Western civilization, the womb which has given them birth. They turn their backs on their parent

body and spurn many of its highest principles, such as human rights, rational conceptions, freedom, and democracy. They deny the worth and dignity of man and all moral standards. They insist that individuals should merely serve as tools for the Party and its leader. They pass imperceptibly from absolutism to nihilism. While, ostensibly, they proclaim themselves opponents of Imperialism, they are only too ready to step into the Imperialists' shoes and shamelessly develop the worst features of Western Imperialism to the furthest possible point.

The decadent West European civilization is not in a position to withstand the impact of these newly risen forces. At the same time the old Imperialisms are unable to offer to the world at large better prospects and higher values than those offered by the two new Imperialisms. Fortunately, ever since the middle decades of the nineteenth century, Occidental civilization has received a fresh impetus on the American continent. The true greatness of President Lincoln lies in the fact that he was instrumental in intensifying and widening the Western conceptions of liberty and democracy and in making it possible for Western civilization to recover its lost inspiration and creative power. It would not be too far-fetched to say that herein lies the secret of American material productivity. Even if it be granted that the Americans are childish and superficial in certain ways, they have been able to save Europe from the racist and Nazi deluge simply because they appreciate the worth and dignity of man and the importance of moral truths. Now that Fascism has been defeated by the "strange alliance" between Western democracies and Soviet Russia and a new threat to mankind is being posed by Communist Imperialism in place of the Fascists, man's hope today has to be found in the American continent.

4. From Cultural Backwardness To Spiritual Collapse.

What has been said above is a diagnosis of the world situation from the nineteenth century to the first half of the twentieth century. Now let us proceed to review the conditions prevailing in China in the same period, during which so many revolutionary changes occurred in the outside world.

China was a highly civilized country in ancient times. The cultural achievements of the Chow and Han Dynasties compared favourably with those of Greece and Rome. In the Middle Ages the civilization of the Tang and Sung Dynasties was far superior to that of the West. After the Renaissance, however, Western civilization advanced by leaps and bounds while China lagged far behind. During the period when the West witnessed the invention of the steam-engine, the publication of the epoch-making works of Adam Smith and Immanuel Kant, the promulgation of the American Declaration of Inde-

pendence and the French Declaration of the Rights of Man and of the Citizen, the appearance of Charles Darwin's "Origin of Species," the development of Einstein's theory of relativity, and the Wright brothers' invention of the airplane, China had very little cultural achievement to her credit. It was not until the time of the Russo-Japanese War that China finally decided to abolish the old-fashioned "eight-legged composition" and establish modern schools. This cultural backwardness has undoubtedly been the root cause of China's present tragedy.

What has been really tragic is not so much backwardness as ignorance and failure to react effectively to the new world situation. Because of her inability to adjust herself to new developments in science and industry and to the age of power politics, China sank into the abyss of a colonial status. When the Far East began to feel the impact of the superior Western civilization in the middle of the nineteenth century, China's and Japan's divergent reactions to it decided the destinies of the two countries for many years to come. Japan accepted Western culture without hesitation, and thereby succeeded in making herself a wealthy and strong country. (Her adoption of Imperialism, which eventually led to her downfall, was quite another matter.) China, on the other hand, was unable to make up her mind as to what she should do, and her policy of muddling through has finally brought her to her present predicament. There have been three main reasons for this difference in China's and Japan's destinies. The first was the international situation. Because of Russia's imperialistic designs Great Britain and the United States were inclined to support Japan. The second was the internal situations in the two countries. In Japan, where the authority of the Emperor was eclipsed by that of the shogunate, those owners of lower rank who were in favor of reforms were able to bring about the unification of the country under the pressure of humiliations suffered at the hands of foreign powers. In China, however, there was mutual opposition between Chinese and Manchus. In the eyes of the Manchu Government, what was of first importance was to prevent internal uprisings instead of coping with the world situation. The third, which was the most important reason, concerned culture. Both China and Japan were backward, but Japan had no "past burdens." The Japanese had just learned the philosophy of Wang Yang-ming, and the transition from Wang's philosophy to modern culture involved no great difficulty. China, however, had to struggle with very heavy dead weights which made the Chinese people's intellectual emancipation much more difficult.

During the reigns of Emperors Chien Lung and Chia Ching, the highest academic pursuit for Chinese scholars, aside from their devotion to the "eight-

legged composition," was textual criticism and annotation. Although there were scholars of a very high calibre among those devoted to this type of learning, it had the undesirable effect of setting too hard and fast a limit to the endeavours of Chinese intellectuals. During the reigns of Emperors Chia Ching and Tao Kwang, many unhealthy phenomena appeared in Chinese society, and it was not until then that Chinese scholars began to turn their attention to studies that had greater practical value in solving the problems encountered in the administration of the State and in their daily life. When the Opium War broke out, the battleships and cannon of the British stupefied the Chinese people with terror. Lin Tse-hsu and Wei Yuan made a study of the foreign powers and came to the conclusion that China must resist the "barbarians" by playing the latter off against one another and acquiring from them their technical knowledge. The book "Over-sea Countries," of which Lin Tse-hsu and Wei Yuan were co-authors, did much to hasten Japan's reformation during the reign of Emperor Meiji. In China, however, very little importance was attached to it. Owing to the influence of Christianity, which teaches the principle of equality, Hung Hsiuchuan started an anti-Manchu revolution which ended in failure. After they had helped to suppress the Taiping Rebellion, Tseng Kuo-fan and Li Hung-chang initiated a sort of new deal by establishing the Kiangnan Arsenal, building a navy and founding the Tung Wen College. Their mentality, however, was no better than that of Wei Yuan of twenty or thirty years before. Although there were a few people who were farsighted enough to advocate constitutional reforms in the Manchu Government because they had a comparatively better knowledge of the world situation, their influence was negligible. It was not until after the Sino-Japanese War of 1894-1895, in which China suffered a crushing defeat, that Kang Yu-wei, Liang Chi-chao and others made open demands for political reforms. This resulted in the so-called "hundred days' reformation." Unfortunately, the forces of conservatism were very strong, and Kang Yu-wei and his followers were all inexperienced young men whose impatience precipitated the coup d'etat of 1898 and the Boxer Uprising two years later. Dr. Sun Yat-sen, who had become convinced of the hopelessness of the Imperial Government in Peking, was already engaged in anti-Manchu propaganda. After 1900, the enthusiastic response of young students and soldiers of the new army to the anti-Manchu movement eventually led to the successful revolution of 1911 and the founding of the Chinese Republic. Dr. Sun Yat-sen had traveled extensively through the various countries of the world. His writings embodied many sound views concerning the solution of China's problems. However,

what was understood best by the Chinese people in general was only his anti-Manchu attitude. Most of Dr. Sun's disciples have now become senile and shortsighted. Even at the time of the founding of the Republic, they were merely hot-headed young men who were full of adventurous spirit but too ignorant to tackle any of the national problems. The man they had to deal with was Yuan Shih-kai, a crafty, old-fashioned militarist and politician who was bent on making himself emperor of China. Thus ensued the armed struggle between Yuan and the local military leaders of the Kuomintang, and this enabled Japan to seize the opportunity created by the first World War to embark upon a programme of encroachments on China's sovereign rights in the form of the Twenty-One Demands. Thereupon China was plunged into civil strife, in which Dr. Sun was also embroiled. As a result of the enunciation of the principle of national self-determination by President Woodrow Wilson and China's diplomatic defeat, Chinese students started a movement for the safeguarding of China's national independence, and the cultural aspect of this movement was marked by the stress they placed on "democracy" and "science." At this stage, it was possible for China's movement for modernization to take a normal course of development. However, owing to the shortsightedness of the Western European powers on the one hand, and the strong attraction of the Soviet revolution, on the other, the intellectuals of China, who had just waked up but had not yet attained maturity, soon fell under the spell of the revolution in Russia, and in this case even Dr. Sun Yat-sen was no exception.

Up to then, eighty years had already elapsed since the extension of Western influence to the Far East. During that period, we made a mess of everything through our sheer ignorance and missed many excellent opportunities. Furthermore, because of our repeated failures in our reactions to Western culture, the Chinese nation began to show signs of exhaustion and helplessness. This state of affairs actually paved the way for eventual Red domination, and the seeds for the Communist conquest of China may be said to have been sown thirty years ago.

The question, indeed, may well be asked: why were we not able to make any progress and accomplish anything during all those eighty years? It was partly due, I think, to the middle-headedness and incompetence of those in power and partly to the immaturity of the Chinese intellectuals. The intellectuals are candidates for the ruling class. If the young people of China had been made of worthier stuff, China's destiny would certainly have been different. True, in those eighty years Chinese intellectuals were subjected to oppression and demoralization—cajolery, intimidation and assimila-

tion—by the ruling class, but it is also undeniable that the former were much more blameworthy for the simple reason that they were incapable of asserting themselves in the face of the obstacles they encountered.

Generally speaking, no backward country can make any progress unless it has a group of farsighted thinkers who are able to promote new ideas and a new culture in order to create a new atmosphere in which the people can be psychologically prepared for the coming of a new age and competent leaders can be trained. A successful revolution or reformation cannot be achieved in any country without a long period of intellectual preparation. (Even the Chinese Communists would not have achieved their present success without their two or three decades' propaganda and educational activities). If there is not such a long period of intellectual preparation, it will be impossible to hope for the development of a new ruling class.

Chinese intellectuals, however, did not give any serious thought to the nation's destiny. Their attention was mainly centered on such things as the "eight-legged composition," textual criticism and annotation, poetry, calligraphy, Buddhism, etc., which could not be of much use. Equally useless were their half-baked treatises on the problems of the day. Neither this kind of people nor those talking about all sorts of theories, pasting propaganda posters or shouting slogans could help to elevate China's position in the world. Yet the attention of Chinese intellectuals was largely confirmed to such things. When there was an opportunity to serve the country, even if their motives were really patriotic, the impatience of such people often made the achievement of success impossible. For example, the constitutional reformation advocated by Kang Yu-wei and Liang Chi-chao was indubitably a necessary step. But they failed to realize that they could not hope for success without preparing the ground for it both internally and externally. Relying as they did on the "special confidence" of Emperor Kwang Hsu and nothing more, they were doomed to failure even if there was no obstruction on the part of the Empress Dowager. In the case of the Wuchang Uprising of 1911, success was certainly achieved without much difficulty. But the members of the Kuomintang, after they had seized political power, were mainly noted for the violence of their speech and actions, and were helpless in dealing with China's powerful neighbours and planning for the reconstruction of the country. Unable to steer the ship of state through peaceful channels, they tried to seek a settlement by force of arms.

This was nothing to be wondered at. Although China has long been regarded as an ancient civilized country, yet from the standpoint of the history of modern culture she is still too young

and too ignorant. She is too inexperienced in matters concerning the building of a modern nation and present-day diplomacy. We have produced few great statesmen and scholars. Those farsighted men who advocated reformation in the last years of the Tsing Dynasty, the leaders of the successful revolution of 1911, and those who led the Northern Expedition of 1926—all of them were men whose age was slightly above or below thirty. They were adventurous revolutionists who had not yet attained political maturity. The fact that they had achieved success and distinction so early in life certainly did them more harm than good. Besides, many of the Chinese revolutionists did not realize the importance of morality. They were ignorant of the truth that without morality politics can have no solid foundation. Paying no attention to learning and morality, they naturally became meanly realistic and turned to the seeking of fortune and fame as the highest ends in themselves. Such being the case, it is indeed small wonder that China is still what she is today.

Before adequate preparations were made in the development of new ideas, an extremely undesirable tradition had already been formed and had taken root in Chinese politics, namely, interference in politics by the military. For a long time the Manchu Government had been successful in the centralization of military authority. In modern times, interference in politics by the military dates back to the years immediately following the suppression of the Taiping Rebellion and was started by the Hunan and Anhwei armies. In the early years of the Republic, responsibility for the continuance of this evil practice was equally shared by Yuan Shih-kai and the Kuomintang. So long as military leaders persisted in interfering in politics, there could be no hope for China. In their eyes politics meant giving orders, the people were coolies, and diplomacy consisted in buying munitions from foreigners and obtaining loans from foreign firms. Apart from their low moral standard, what was worst was their exaggerated notion of their own ability. People today generally attribute China's ills to corruption, inefficiency, privileged families and political cliques. As a matter of fact, all these undesirable phenomena have stemmed from military interference in politics. After having developed within the army, they have extended to all phases of the national life. The public are only aware of the fantastic fortunes made by unscrupulous politicians; they do not realize that what is even more astonishing is the fantastic fortunes made by unscrupulous militarists. I believe, and hope, that China's new military leaders will be able to avoid the mistakes of their predecessors.

Military interference in politics is a sign of cultural backwardness and a result of the incompetency of the intellectuals, and at the same time is bound to aggravate the degeneration of the intellectual class. While the militarists have no respect for scholastic attainments, the intellectuals have also failed to devote themselves to the pursuit of knowledge; and, while the militarists do not respect the intellectuals, the latter also do not respect themselves, and have thus become mere appendages of the military. The combination of intellectuals who seek only quick success and immediate profit and militarists who are uneducated and ignorant is one of the main causes of China's political confusion and our present national tragedy.

Cultural backwardness, the intellectuals' lack of vigour, the militarists' arrogance and self-importance—all these are manifestations of political immaturity, which is the most fundamental reason why we have missed the many opportunities of the last eighty years. If there had been a group of intellectuals in China who were willing to leave politics alone and devote themselves to a world at large with the same energy as they had spent on the "eight-legged composition" and textual criticism and annotation, if they had undertaken to educate the people, especially the youth of the country, and bring about social reforms in cities and rural districts, and if they had paid sufficient attention to their own moral standards, a different tradition and atmosphere would have been created and China would have produced leaders really capable of improving her position in the world.

5. Communist Conquest Made Possible by China's Spiritual Collapse

The revolution in Russia broke out only two years before China's May 4th Movement of 1919, which was a good opportunity for China's spiritual awakening. However, before the Chinese people could pursue a constructive course they were already attracted by the Russian revolution, and it was a time when China was in a state of vacuum both politically and culturally.

The short-sightedness of the Western nations was also responsible for the extension of Soviet influence to China. At that time, Japan was engaged in encroaching upon China's sovereign rights, but the Western powers pretended to be unaware of it. In the meantime, the secret agreements concluded between the different powers and Japan were disclosed at the Paris peace conference. Furthermore, many of the powers adopted a hostile attitude toward Dr. Sun Yat-sen and all movements for national independence, and even secretly abetted the Chinese militarists in their civil strife. By seizing upon every flimsy pretext such as the Lincheng incident, in which some foreigners were kidnapped by a group

of bandits in Shantung, they tried to wrest more concessions from China. The times had changed, but their mentality was still that of 1900. Consequently such Soviet-inspired slogans as "Down with Imperialism," "Down with the Militarists" and "Abrogate the Unequal Treaties" were all to the liking of the Chinese people. Soviet Russia issued two declarations to clarify her attitude toward China and announced the relinquishment of all her special rights and privileges in this country, and in this way was able to win the goodwill of the Chinese people, especially in educational circles. It was by appealing to the Chinese people's nationalistic sentiments, therefore, that Communism succeeded in securing a foothold in China.

The two men who helped to forge ties of close contact between China and Soviet Russia in this period were both men of great authority. One was Mr. Chen Tu-hsiu, one of the leaders of the May 4th Movement and founder of the magazine "La Jeunesse." He organized a "Marxian Society" in 1920 and founded the Chinese Communist Party in the following year. Thereupon "La Jeunesse" was transformed from a periodical for the promotion of new culture into one for the propagation of Communist theories. The other was Dr. Sun Yat-sen, leader of the Chinese revolution. Dr. Sun was then a refugee in the foreign concessions in Shanghai. In order to gain Dr. Sun's goodwill Soviet Russia sent an emissary named Joffe to see him. The result was the issuance of the "Sun Yat-sen-Joffe Declaration" in 1923, in which Dr. Sun indicated his intention "to follow the Soviet example" in continuing his revolutionary activities in China. He reorganized the Kuomintang in 1924 and announced his three major policies, namely, to establish close contact with Soviet Russia, to admit Communists to the Kuomintang, and to regard the promotion of the welfare of the farmers and workers as one of the main objectives of his party. General Chiang Kai-shek was sent to Russia on a tour of inspection and was made head of the Whampoa Military Academy upon his return to China. Russia sent to Canton not only Borodin and Galen but also Russian munitions. Through its cooperation with the Kuomintang the Chinese Communist Party succeeded in giving the latter new vigour and extending its influence among the youth of the country. While all this was a part of Soviet Russia's anti-British policy, it must be admitted that the Northern Expedition of the Kuomintang would not have met with such speedy success if there had been no Soviet assistance.

Whether or not this was a fortunate development in Chinese history, it is very hard to say. Peking was then already in a state of anarchy. If Dr. Sun had sought to lead the Chinese people in the development of new ideas and to secure political power by peaceful and democratic methods, it might not have

been impossible to usher in a new epoch in China. Being too anxious to witness the successful consummation of the Chinese revolution in his lifetime, he did not follow such a course but decided to take the short-cut of Sino-Soviet collaboration, thereby sowing the seeds for what was to happen twenty-seven years later. From the wish he expressed at the time of his death that "China was to be saved through a peaceful struggle" we can see that this great man was not without misgiving about the policy he had adopted and was counting on his successors for the necessary remedial action.

If the cooperation between the Kuomintang and the Chinese Communist Party had given added strength to the former, it had certainly strengthened the latter to an even greater extent. The Chinese Communists purposely utilized the Kuomintang as a "soviet" and succeeded in absorbing many vigorous elements from among the members of the latter. Meanwhile, as the expeditionary forces advanced northward, every place seized by them became a new theatre of Communist activities and the anti-British movement. By the time the expeditionary forces reached the Wuhan area, the policies of the Communist Party were already being carried out. Communism had sown its seeds in China, sprouted, and taken root.

After the expeditionary forces had reached Shanghai in 1927, partly owing to the violent actions of the Communists and partly owing to the unwillingness of the merchants in that metropolis to continue the anti-British adventure, the Kuomintang decided to purge itself of the Communist elements and a new Government was established in Nanking, and this action of the Kuomintang led to the setting up of a separatist Communist regime in the Wuhan area. The Kuomintang certainly could not be blamed for the action it took. Unfortunately, the Government in Nanking did not try to raise its moral and political standards, but instead only sought to suppress the Communists by relying on harsh police measures which did more harm than good. I am not saying that the Kuomintang could have successfully dealt with the Communists merely by preaching ethical precepts, but it surely would have been much better to isolate the Communists by means of democracy and reconstructive work and to suppress them through emphasis on rule of law. Employment of force should not be resorted to unless there is no other recourse. After 1928, with the successful conclusion of the Northern Expedition, the attention of the members of the Kuomintang was largely centered on the seeking of fortune and high official positions. At the same time, many Communists and leftists gathered in Shanghai and devoted themselves to the writing and translation of books and the publication of magazines. By engaging in the publishing business they were able to help the propagation of Marxism and

carry on their activities in cultural circles; and by inducing the youth of the country to rally around the banner of Communism they succeeded in building up their strength again. The Kuomintang's victory, therefore, really marked the beginning of its failure. There can be no doubt that the Kuomintang's repressive measures dealt the Communists a severe blow, but they also proved a blessing in disguise to the latter, who were thereby given a chance to improve the technique of their underground activities and subjected to very strict training in discipline. The Communist elements in the Kuomintang armies staged a revolt in Nanchang on August 1, 1927, and set up a short-lived "Soviet Government" in Canton four months later. In 1928 the Chinese Communist Party held its sixth convention in Moscow and thenceforward became a loyal instrument of International Communism. Mao Tse-tung and Chu Teh were then carrying on their guerilla warfare under serious handicaps. After the sixth convention of the Chinese Communist Party, Soviet Russia, through the Third International, sent a group of men by the names of Voitinsky, James, Yanson and the Noulens to Shanghai to organize a "Far Eastern Bureau" for the purpose of directing the Chinese Communists in their activities. Shortly afterward, a military expert of the German Communist Party was sent to the Communist areas to serve as adviser. In obedience to the Third International's orders they established a "Soviet Government" in Kiangsi in 1930. The Kuomintang launched quite a few campaigns to encircle and destroy the Communist forces, but it failed to realize that the task confronting it was far from being merely military in nature. At this time, Japan's onslaught and the internal struggle among the Kuomintang's military leaders further reduced the effectiveness of the anti-Communist campaigns. The incessant civil strife not only led to political corruption in the Kuomintang but also enabled the Chinese Communists to train their military officers and improve their skill in fighting. In October 1934, the Communists realized that their foothold in Kiangsi could no longer be maintained because of the prolonged siege laid by the Kuomintang armies, and thereupon started on their "long march" to the northwest. In the following year they reached the Yen'an area in northern Shensi and thus got close to Soviet Russia. This marked the opening of what the Communists called their "international route" and also represented a truly epic period in their history. Their ability to survive this ordeal and escape destruction foreshadowed the influence they were destined to exert on Chinese politics. Moreover, the Communists' activities in Manchuria and North China also helped to secure for them the strategic position they were going to hold both during and after the war with Japan. In August 1935, while the Chinese Communists were still marching toward

northern Shensi, the slogan of "a united front" was brought up at the seventh convention of the Third International. In this connection, it will be recalled that after the Mukden Incident of September 18, 1931, when General Chiang Kai-shek was calling upon the Chinese people to resist Japanese aggression, the Chinese Communists declared that their first concern was to carry on the anti-Chiang struggle. In the opinion of the leaders of International Communism, however, the main task of the Chinese Communists was to unite with the Kuomintang in order to fight against Japan. As Soviet Russia was being threatened by both Germany and Japan, it was her belief that a Sino-Japanese conflict would be conducive to her own security. The Sian Incident was followed by an improvement in Sino-Soviet relations. After the outbreak of the Sino-Japanese hostilities in 1937 the Chinese Communists also declared that they would struggle for the realization of Dr. Sun Yat-sen's revolutionary principles. However, the object of the Communists was only to fish in troubled waters. Resistance to Japanese aggression was for them merely a camouflage. After the conclusion of the German-Soviet Pact in August 1939, Soviet-Japanese relations immediately improved. Two months later a demand was made by the Chinese Communists for the establishment of a "coalition government," and their demand was accompanied by the expansion of the "border areas" occupied by them. Clashes between the forces of the Kuomintang and the Communist Party followed in quick succession and finally led to the forcible dissolution of the Communist New Fourth Army by the National Government. The signing of the Soviet-Japanese Neutrality Pact was followed by a period in which Japanese-American hostilities continued with increasing intensity and the strength of the Nazi war machine grew steadily weaker and weaker. In 1943 Soviet propaganda began to make vicious attacks on the Chinese National Government, this being a signal to the Chinese Communists that they could now take "free action." Under the sponsorship of the United States the secret Yalta Agreement and the Sino-Soviet Treaty of Friendship were concluded in 1945. Following the Allied victory over Japan the Chinese Communists penetrated into Manchuria under Soviet protection and for the first time their armed forces came into direct contact with Soviet territory. This placed the Communists in a position which eventually enabled them to seize the entire Chinese mainland. Soviet Russia now found it no longer necessary to conceal her aggressive designs, and accordingly came into the open to extend diplomatic recognition to the Communist regime. Mao Tse-tung and Chow En-lai were summoned to Moscow and the result was the conclusion of a military alliance between

Soviet Russia and Communist China. From this we can see how successfully Soviet Russia has made use of the Chinese Communists as an instrument for the execution of her Far Eastern policy and how skillfully her diplomatic manoeuvres have been carried out in perfect cooperation with the military and political moves of the Chinese Communist Party.

This is a brief account of the relations between the Kuomintang and the Chinese Communist Party, which serves to show how the seeds of Russian Communism have been sown in China and how it has grown and blossomed.

If one should attempt to analyze the class distinction of the Kuomintang and the Chinese Communist Party, it would be too academic. After the extension of Western cultural influence to the Far East, its impact had the effect of bringing about the collapse of China's old-fashioned ways of production. Her intellectuals increased in number, and ideological and social conflicts began to appear on a large scale. Consequently, those intellectuals who were unable to make a satisfactory living constituted a serious unrest. It is this class of intellectuals who have been the initial capital of Chinese revolutionists. This capital has been utilized not only by the reformists in the last years of the Tsing Dynasty but also by the Kuomintang and the Communist Party.

With regard to the character of these intellectuals, the following comment was once made by a Russian writer David J. Dalling:

"This Chinese 'youth' group lives in an environment of inflamed passions and heated debates over political problems. A sincere idealism and devotion to lofty principles, combined with the oriental readiness for mass self-sacrifice, are its characteristics. The revolutionary movement that developed at the time of the downfall of the monarchy drew its inspiration from among the rebellious groups of university students. The great popular movements—nationalism, anti-imperialism, the successive drives of the Kuomintang, the unification of China and, finally, the Communist movement—all were closely tied up with the trends among the academic youth. Student demonstrations and university strikes sometimes upset the political balance of power." (Dalling: Soviet Russia And The Far East, p. 118.)

These young intellectuals were full of enthusiasm and ambition—in fact, they could justly be considered the cream of the nation—and were all anxious to find effective ways and means for promoting the welfare of the country and the people. Unfortunately, both their knowledge and experience were rather limited, and they had no chance to develop maturer ideas. Living in a period of transition from the old to the new—a period in which there were many conflicting schools of thought—and relying solely on false hopes and book knowledge, they very easily confused China's ancient concepts of "cosmopolitanism" and "equality of property" with internationalism and socialism. Even Kang Yu-wei and Tan Shih-tung can be considered as earlier examples of this type of intellectuals, to say nothing of those of the present

day. Some people are now inclined to blame the Communists for attempting to do away with the notions of family and nation. As a matter of fact, Kang Yu-wei already advocated the removal of family and racial distinctions in his "Treatise on Cosmopolitanism." Many people have pointed out that nationalism and poverty are problems which have particularly plagued the peoples of Asia. Marx and Lenin placed all the responsibility on imperialism and wanted to unite all oppressed classes and peoples to destroy it. This stand taken by Marx and Lenin was one which easily won the applause of Chinese intellectuals. The question, of course, was not so simple. But China did not have her own national culture and modern thinkers. The Chinese people's knowledge of social sciences and philosophy was quite inadequate. While the writings of their ancient scholars could give very little guidance for the solution of modern problems, the introduction of Western writings into China was done only on a limited scale and in a piecemeal fashion. The introduction of Marxism at this juncture with its theories, its interpretation of the universe and history, and its strategy and tactics, naturally attracted a large following among Chinese intellectuals. In a backward country like China, what was needed was a panacea for all its ills. The so-called scientific method, based on reason and facts, had not yet been popularized. The Chinese people, being thirsty for knowledge, once idolized John Dewey and Bertrand Russell, who, however, did not quite meet their requirements. To them, therefore, Marx appeared to be an almighty sage, and Lenin a revolutionary sage, both of whom so fascinated their Chinese admirers that their worth was never called into question. Hence Borodin, though merely a Russian journalist, was treated in China like a bearer of divine message.

Later on, Soviet Russia's "Five-Year Plans" and "Collective Farms" were sincerely admired not only by the leftists but also by the rightists, with the result that to the young people of the day there could be no philosophy in the world aside from "dialectical materialism"; there could be no literature aside from the works of Gorki and other Russian writers; and there could be no political economy aside from class struggle, proletarian dictatorship, the "certain collapse of capitalism" and the "victory of Soviet socialism." As the situation in China continued to deteriorate, there was correspondingly more admiration for Soviet Russia. Japan's aggression against China only served to make more people pin their hopes on the Russians. In point of fact, these people knew very little about Russian history and very few of them had seen the conditions in Russia with their own eyes. Their views were merely based on hearsay, and by the thirties there were hardly any Chinese intellectuals, whether leftists or rightists, who were

willing to admit that they were not in favour of revolution or socialism. China had no tradition of democracy or Fabianism; any occasional discussion of the one or the other was an exception rather than the rule. Because of either ignorance or unwillingness, those who talked about socialism did not start with democracy, and the result was that they always inclined toward one of the two extremes of Fascism or Bolshevism. Since Fascism did not enjoy a very good reputation, it was only natural that Soviet Russia came to be regarded as representative of the true type of socialism. And it was in this manner that the spirit of Chinese intellectuals finally became a captive of Soviet propaganda.

Chinese intellectuals, therefore, were the first to be conquered by Communism, and through them the whole of China. If these intellectuals had been given active and proper guidance as well as effective support, they would surely have been the indispensable motive force for China's progress. However, their ambition for success was much greater than their sense of responsibility. Because of China's social backwardness and her lack of a tradition of democracy, the middle-class industrialists and businessmen were accustomed to aligning themselves with the militarists and politicians, and they did not have the knowledge and determination required for supporting a modern political movement. For this reason, the intellectuals' interest in politics failed to get the necessary backing in society. For several decades foreigners and militarists were generally regarded as the most powerful, without whose assistance many intellectuals felt they could have no future. As to the power of the masses, the most powerful class of people was the farmers. In the history of China many armed uprisings had been staged by farmers before, which ostensibly all had a religious tinge. For example, in the last years of the Tsing Dynasty and the early years of the Republic there were such organizations as the "Red Lance Society" and "Green Lance Society." These organizations constituted a power which in the past few centuries had often been used to bring about the downfall of imperial dynasties. It was through the employment of this power that Chu Yuan-chang, founder of the Ming Dynasty, and Hung Hsiu-chuan, leader of the Taiping Rebellion, achieved their successes. In carrying on their revolutionary activities, therefore, Chinese intellectuals as a rule had to rely on the support of militarists, farmers or foreigners.

Owing to China's backwardness in industry and commerce, which resulted in the absence of a strong propertied middle-class, and her lack of a tradition of democracy, the Chinese people were not familiar with such things as public opinion and elections, especially when the Government was dominated by militarists. For Chinese revolutionists it was simply impossible to dissociate their

revolutionary activities from the employment of military force or the establishment of close connections with foreigners. After the Kuomintang had parted company with the Communists, it did not leave the door open for the latter to carry on their political struggle through legal channels. This was a policy which inevitably compelled the Communists and other political groups to resort to military force in their opposition to the Government. In dealing with these hostile groups the Kuomintang's only weapons were bribery, arrests and suppression—weapons which were entirely ineffective when used against an ideological movement, just as they had been ineffective in the past when used against the Kuomintang by the Manchu Government and the northern militarists. Repressive measures and military campaigns only helped to improve the Communists' strict discipline and fighting skill. What was even worse, government by the military and the incessant civil war accelerated the bankruptcy of the farmers and thereby supplied the Communist armies with ample reserves. While all this confusion was going on in China, Soviet Russia was standing by and giving the Communists constant encouragement.

Needless to say, the Chinese Communist Party could not have attained its present success without Soviet assistance, and this is a fact which the Communists themselves have not attempted to deny. However, while it is nothing but wishful thinking to expect Mao Tse-tung to become another Tito, it is equally incorrect to regard the Chinese Communists as pure Quislings. Traitors generally have a guilty conscience, but the Chinese Communists believe that what they have been doing is entirely justifiable. This is because the Chinese people, who have long lost their spirit of independence, do not consider secret dealings with foreign powers as something shameful. The Chinese Communists feel that the spiritual affinity between them and Soviet Russia is even more important than the material assistance they have received. They are like a man who deems it improper to borrow some money from a stranger but thinks it is nothing dishonorable to receive financial help from a good friend. Among China's disgruntled intellectuals it is a common practice for three or five persons to form a party or clique, but such organizations can never last long. It is true that Soviet Russia has supplied the Chinese Communists with funds and has always been ready to serve as a haven for the latter if they should have found it necessary to take refuge abroad. This is undoubtedly an important fact and explains why the Chinese Communist Party has been able to continue its struggle under all circumstances while many other parties in China have not been able to do so. However, it would be incorrect to say that the success of the Chinese Communists has been achieved entirely with the help of Soviet roubles. After all, the Communists have never at-

tached any great importance to Soviet financial help. They have been given Soviet assistance mainly in so far as they have profited by Soviet theories, experience and advice. What has been of the utmost importance is spiritual control and strategic coordination. No direct military assistance was given by the Russians until the Chinese Communists had entered Manchuria. In fact, Soviet control of the Chinese Communists does not have to take the form of direct orders. Soviet official views expressed in Moscow have always been equivalent to instructions issued to Communists all over the world, and this is something which has been well understood by all Communist parties. Outside of Russia, every Communist party has remained subservient to Moscow because it looks to the Kremlin for spiritual leadership and its interests are identical with those of the Soviet Union. For many decades the Chinese people have laboured under an inferiority complex in their dealings with foreigners. The Chinese Communist Party, which has long benefited by Moscow's sympathy and encouragement, has naturally developed a sentimental attachment to Soviet Russia not unlike that of the Mongols, the Japanese people and the Christians in their attitude toward the Lamas, the Mikado and the Pope respectively. This sentimental attachment is partly religious in nature and partly also akin to the Oriental tradition of filial piety. Bearing a close resemblance to the old Chinese officials' loyalty to their Emperor, it is typically Oriental and cannot be lightly brushed aside as something undignified and despicable. The relationship between Soviet Russia and the Chinese Communists is not one between equals, but one between master and slave. David J. Dalling, whom I have quoted above, has this much to say:

"And yet it would be wrong to consider Chinese Communism, even at that time, as a pure and simple product of Russian propaganda or of Comintern subsidies. There is no doubt that from its very beginning the Communist movement in China was a product of Chinese conditions. It was a popular movement, that is, not a movement of the Chinese people or even of a majority of the Chinese people, but one of several political and social trends that emerged in China in the course of the last 50 tormented years. To this revolutionary movement, still in its infancy, still fighting its first battles, Russian Communism lent ideas, theories, organization, and discipline. Even without this influence, a revolutionary movement would certainly have developed then, but it would probably have run into quicksand, easily to be smothered by other forces. In no other country was the prestige of Russian Communism as high as it was in China. The more difficult the political problems facing Chinese Communism the more urgently was it in need of authoritative solutions. This was precisely the reason why the Soviet Government was able to make of the Chinese movement a conveniently devoted and conscious instrument of Russia's Far Eastern policies."—Soviet Russia and The Far East, p. 107.

However, since the Chinese Communists have already taken their stand, there can be no question of deviating from it now, and their only alternative is to throw themselves wholeheartedly into the arms of Soviet Russia.

Many people have pointed out that it was the Kuomintang's own weaknesses which contributed to the success of the

Communist Party. Although the Kuomintang showed great firmness in its anti-Communist policy, the fact remains that it not only had many defects and used improper methods but was spiritually no better than the Communists. The Kuomintang had more nationalistic spirit than the Communists, but its nationalistic spirit was mainly racial and feudalistic in character and was not exactly the same as a modern nation's conception of independence. Both the Kuomintang and the Chinese Communist Party accepted Soviet assistance in the past. The Kuomintang's organization was also modeled after the Russian Communist pattern. The views expressed by Dr. Sun Yat-sen in his late years were hardly distinguishable from those of the Russian Communists, such as his statement that the Principle of the People's Livelihood was the same as Communism. The ideas of the Kuomintang's theorists were largely copied from Marxism only within slight modifications. What did the Kuomintang the most harm was that aside from the despotism of the Oriental patriarchal system it had inherited from the past, it also copied the dictatorship of Russia and thereby became incapable of accustoming itself to democracy. After the Mukden Incident, Hitler's success in seizing political power caused Chinese officers and students studying in Germany and Italy to believe that Fascism was a panacea for China's ills. Hence they brought it back and childishly tried to have it applied in this country. Besides, the secret police came into being following the surrender to the Kuomintang of a number of Communists who had received GPU training. Most of these young people were considered as undesirable elements in society. In the days of the militarists there had long been an organization of secret spies who were despised by the people. Now the ruthlessness imported from abroad was added to the habits of the secret spies, and this combination aroused even more hatred and contempt among the general public and caused many zealous young men to join or sympathize with the Communists. These young people were unaware of the fact that the entire Communist Party and the Soviet Union are nothing but a GPU through and through, and it was already too late when they discovered the truth.

Because of its bureaucratic government the Kuomintang had become noted for the corruption and inefficiency of its officials. Many military leaders and politicians, although they were talking loudly about suppression of the Communists, were secretly afraid of the latter. Some of them were preparing to flee to foreign countries while others were trying to establish contact with the Communists. No wonder, then, that Communist spies infiltrated into every place under the control of the Kuomintang, and the troops of the National Government surrendered en masse before the advancing Communist armies. Before its military collapse, therefore,

the Kuomintang had long been in a state of spiritual collapse.

Indeed, it must be pointed out, no political party which has not ideologically attained the highest level is qualified to pursue an anti-Communist policy. Since 1928, the ideological and moral bankruptcy of the Kuomintang gradually caused it to resign itself to its inevitable doom. Again, it must be pointed out here that no one who does not have a higher moral standard, a more ardent love of China and her people, a firmer conviction, a greater sense of responsibility, a nobler personality and sterner qualities than the Communists can hope to defeat Communism.

Both in its ideology and in the way it wielded political power the Kuomintang largely followed the example of the Russian Communists, but the efficiency it displayed was much lower. Such a state of affairs made many talented intellectuals decide not to follow the leadership of the Kuomintang and thereby brought about its isolation. When the Soviet Union, the oldest brand of dictatorship from which all other dictatorships had copied, finally confronted the Chinese people with her inexhaustible bag of tricks, the Kuomintang was naturally no match for her. As a matter of fact, the Kuomintang's imitation of the Russian Communists in both its ideology and methods had to a considerable extent paved the way for the Chinese Communists' conquest of China. The Chinese people, who had shown much patience in enduring the purely Oriental type of despotism, found the Kuomintang's dictatorship rather intolerable though it was by no means very thoroughgoing. What the Chinese Communist Party is doing today would have been even more intolerable if it had occurred twenty years ago. While taking upon itself the responsibility of "political tutelage" to the exclusion of all other parties, the Kuomintang also declared that the Principle of the People's Livelihood was exactly the same as Communism. The conceptions of the dignity of the individual, the integrity of scholars and officials, and the inviolability of life and property were fast losing their sanctity. On top of all this there was the ruthless oppression suffered during the eight years of Japanese occupation, which further added to the spiritual insensibility of the Chinese people. Now we are confronted with the Communist Party's real dictatorship, which threatens to bring about the total destruction of our personality, life and property, and leaves us no choice but to accept it with a fatalistic attitude. The members of the Kuomintang have never realized that the only effective anti-Communist policy is to pursue a course totally different from that of the Communists. As pointed out by Chu Shun-shui, a great scholar of the Ming Dynasty who spent the last years of his life in Japan following the conquest of China by the Manchus, "the way to destroy the enemy is to do everything differently from him." In this respect, the difference

between the Kuomintang and the Chinese Communist Party is merely a difference in degree and not in kind; yet many members of the Kuomintang are of the opinion that their party has failed simply because its dictatorship has not gone far enough!

China's demand for national independence and the appearance of dissatisfied intellectuals and bankrupt farmers were due to China's backwardness and the impact of Western culture. At the same time, they also supplied the Chinese revolution with both its vanguard and reserves. National humiliation, general poverty, and spiritual and political immaturity made it easy for Chinese intellectuals to be influenced by internationalism and Communism. On account of Western indifference to China's aspirations, Chinese intellectuals were drawn into the Soviet orbit by Soviet Russia's expression of "friendship" for the Chinese people. Domination of the government by the military, the weakness of the middle class, and the lack of a tradition of democracy caused the Chinese revolution to follow the course of armed violence and to rely on foreign assistance. The Kuomintang's ascendancy during the last quarter of a century has created such a political and spiritual vacuum that it has not only lowered its own standing in the eyes of the Chinese people but has also helped to lay the groundwork for the success of the Communists. With Soviet Russia's systematic assistance (which, being well-coordinated with the activities of the Chinese Communist Party, was far more effective than the assistance extended to the Kuomintang by the United States), the Communists have been able to achieve the conquest of China step by step. I have not discussed the demoralization of the Kuomintang armies, the corruption of the officials and the wickedness of the politicians and party members not because I am unaware of the serious effect produced by these undesirable phenomena but because they are the natural results of cultural backwardness, domination of the government by the military, and the lack of a tradition of democracy, and therefore need not be analyzed in detail.

6. The Chinese Tragedy.

On the stage of world politics and culture China has enacted in the last one hundred years a great tragedy, which includes the following scenes.

(1) Owing to her cultural backwardness in the nineteenth century and her inability to cope with the circumstances of the moment, China saw her nationhood called into question, suffered the loss of territories, sovereignty, life and property, and underwent a period of cultural and moral degeneration.

(2) In her spiritual dependency and physical weakness, she failed to discover the fundamental cause of her ills and tried one palliative after another, even to the extent of swallowing any drug that came to hand. It was in this mood of desperation that Communism was welcomed with open arms and led

to long suicidal civil wars, which, in their turn, accelerated the destruction of life and property and the degeneration of the people's physical powers, intelligence, and moral virtues. The death of young men and women in their prime of life proved to be an irreparable loss to the nation. All these finally culminated in the Japanese War.

(3) The Japanese War meant the loss of additional life and property. Though the country came out fortunately victorious, it again failed to take advantage of the opportunities offered to work for peaceful reconstruction and to be a worthy member of the family of nations. Instead, a new civil war flared up and resulted in more miseries for the people and the blighting of all prospects for the nation.

(4) As a result of the civil war the Communists swept over the entire Chinese mainland and succeeded in filling the political and spiritual vacuum. The success of the Chinese Communists really means the success of the Far Eastern policy of Soviet Russia. In present circumstances they not only follow blindly the Russian lead, but will have to whether they like it or not. The final upshot is that the whole country will be speedily Russianized, thanks to their good offices. The Chinese people, suffering indignities and humiliations at the hands of the overbearing Russians, can do nothing about it but resign themselves to fate.

(5) Even as the secret arrangements made by Li Hung-chang with the Czarist government led to the Russo-Japanese War of 1904-1905, so the Yalta Agreements and the Sino-Soviet Treaty of 1945 sowed the seeds of new crises in the Far East. In like measure Mao Tse-tung's policy of "siding with the Soviets" and his treaties with Stalin have made the possibility of another world conflict more likely, and in the event of a Third World War China is sure to be overrun by contending armies and the Chinese people will have to suffer unspeakable horrors and devastations again. Irrespective of the outcome of such a war, the fortunes of China would, in all contingencies, be determined not by the Chinese themselves, but by the interplay of extraneous forces.

There are three aspects in which the Chinese situation is tragic. First, the Chinese people have sweated and bled in all these years all in vain. Secondly, there is no foreseeable end to their miseries, humiliations, and sacrifice of lives. Thirdly, their opportunity to become a really independent nation enjoying the respect of all other nations has been frivolously frittered away, which is a loss not only to China herself but even to the world as a whole.

The tragedy is unprecedented in all Chinese history. Though the Chinese people have been twice subjugated by foreign conquerors since the thirteenth century—once by the Mongols and once by the Manchus—they have always been able to keep their own ways of life and did not have to bow to the conquerors'

whims. But the situation is different now: though the present rulers of the Chinese continent ostensibly call themselves Chinese, they are fast turning the country into a Russian preserve. Had Soviet Russia a higher and better civilization to offer to the Chinese, they would have less cause to complain. As it is, however, they can never be persuaded to accept the Russian way of life. For what kind of civilization, if such it could be called, does Soviet Russia have after all? It is a new Tartarism, a new Serfdom, a new Eastern Orthodoxy, a new Dictatorship, a new Imperialism, a new Karamazovism (a term derived from Dostoevsky's "The Karamazov Brothers," which is most typical of the Russian national character), and a dehumanized, anti-intellectual sadism all in one. None of these aspects fits the Chinese character, nor is it needed by the Chinese people. The compulsory imposition of such a way of life on the Chinese would result first in their further degeneration and stupefaction, both physical and spiritual, and finally in their complete paralysis, a form of deferred collective suicide.

It is a tragedy not only of the Chinese people, but also of the Chinese Communists themselves. In order to be fair and just, one has to concede that there are not a few brilliant Communists who are animated by the highest ideals and are courageous enough to fight for their convictions. They are part of the Chinese elite. Unfortunately, they have gone astray and mistakenly look upon Soviet Russia as the land of bliss and take Communism for the supreme ideal. Either they do not know that their paradise is no paradise and their ideal no ideal, or they do not care to know the truth, or knowing it they are not in a position to retrace their steps. They have suffered superhuman anguish in the past and will have to make superhuman sacrifices in the future; but the more they sacrifice, the more they and the nation as a whole would head for disaster. Granted that they are not without certain outstanding merits, such as official and military discipline and the general spirit of industry and austerity. But under their policy of "siding with Soviet Russia," under circumstances in which they cannot but follow that policy, under their system of secret agents and economic exploitations, and under the increasing terrorization and paralysis of the people at large, those merits are not only irrelevant but even tend to the total destruction of both country and people at one stroke. For gifted men actuated by the most laudable motives to work inevitably towards the destruction of the entire nation, including themselves, isn't that the greatest of all tragedies? For men to call themselves "the people's liberators" and yet to bring them to the verge of starvation and to make cannon-fodder of them for Soviet Russian Imperialism, isn't that an unprecedentedly pathetic tragedy?

The most important task of any country is to exercise complete control over its own fortunes, to develop the productive power of the nation, and to foster the creative power of the people in order to elevate the general standard of living to a footing of equality with other nations. The effective means for the attainment of these objectives is the development of industry and education, for which an indispensable prerequisite is a peaceful and free environment. Unfortunately, all these are unattainable if the policy of "siding with Soviet Russia" is blindly pursued, if secret agents are employed to intimidate and persecute the innocent, and if semi-compulsory enlistment, food requisitions, and forced subscriptions to Victory Bonds are resorted to in anticipation of the day when Soviet Russia unleashes the dogs of war.

Another important task of any country is to arouse a sense of self-love and of patriotism in its citizens, especially its intellectuals, for he who does not love himself can never be patriotic. What the Chinese Communists are doing, however, is exactly the opposite. On the one hand, they compel all red-blooded Chinese to betray their country and accept Russian tutelage; on the other hand, they constrain one and all, by what they call "self-exposure," "political training" or "mental reorientation," to imitate the Russian type of self-redemption, self-humiliation, and self-torture merely for the sake of being allowed to live or to make a precarious living. The net result is that the better elements are weeded out, while only the most shameless and deceitful individuals remain in the field. Could there be anything worth living for in a country such as that?

The greatest hope of any country lies in the education of the rising generation. But where the guiding policy is to side unreservedly with Soviet Russia, where young men and women are made use of as tools for the implementation of domestic policies, and where no genius is allowed to develop freely and the right of free inquiry is denied, how could there emerge men of real ability? Chinese youths would find it difficult to shake off the baneful influence exerted by long years of domestic and foreign wars even without the disruptive force of Communism. Now following closely upon decades of social and political upheaval, there come the Communists with their "liquidations," "struggles," "self-exposures," "Yangko dances," and endless meetings of one sort or another, and it is only natural that young people should be infected with the superficiality, implacability, coldbloodedness, deceitfulness, jealousy, and craziness of the Communists. Is there any likelihood that men and women educated in such a deadening atmosphere could ever hope to be useful members of society?

It is true that the Chinese Communists have subdued the country. They have captured political power on the Chinese

mainland, but will never be able to capture the imagination and win the heart of the Chinese people. For the time being, however, the latter are impotent either to resist them or to refuse being made pawns of the Soviet Russians. Herein lies the tragedy of it all.

At this point one may be tempted to ask, "When, if ever, will the Communist rule in China be brought to an end?" The answer is that the Chinese problem, like the contemporary problem of any other country embroiled in the Communist tangle, would have to wait for the clarification of the world situation as a whole and to be solved *pari passu* with the definitive solution of the world problem. Though I believe the Communist experiment is doomed to eventual failure, something positive and on a higher moral plane would have to be found as a substitute and antidote for Communism. Otherwise, the poisonous effects of Communist propaganda could never be completely removed.

The work of the Chinese people at the present juncture, as I see it, is threefold. First, the area of Free China in Taiwan should be defended and kept free at all costs. Secondly, the spirit of national independence and self-respect should be cultivated among all Chinese, whether they live on the mainland or overseas. They should be taught not to submit to Russian ideology, but to resist all Russian encroachments. Thirdly, an all-out effort should be made to unite all free peoples of the world in a common cause to resist Communist aggression. Above all, it is the duty of the intellectuals to devote themselves to academic studies in preparation for the day when they will be called upon by their country to take part in the work of national reconstruction after the Communist incubus has vanished. At the same time they should steel themselves morally for the final encounter with Communism, for only men of moral integrity could be equal to the task.

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Vested in the Institute for the Study of Chinese Problems, Hongkong

THE INSTITUTE FOR THE STUDY OF CHINESE PROBLEMS

*Last year the Institute for the Study of Chinese Problems was founded in Hongkong. The committee of the Institute have stated about their aims the following:—

The Chinese problem arose as a result partly of the Chinese historical process and partly of the cultural impact of the West. When the leaders of the Chinese Renaissance Movement began, some thirty years ago, to take to Western culture, the fact that Western culture itself had long been showing signs of instability and disintegration tended to add to the complexity of the Chinese problem. History proves that any problem which is not courageously faced and solved in time inevitably leads to irreparable disaster. And it is common knowledge that parasite germs in the human body always attack the weakest spot of the system. Judged from these views, the Chinese Communists' success on the mainland has nothing accidental about it.

We will not despair of man's future. Nor do we let ourselves be cowed by the threats of violence which Soviet Russia and the Chinese Communists are flinging at the world and the Chinese people, respectively. For the fact is that in the long course of human history man

Japanese Economic Cooperation with America

Japanese economic circles have recently been engaged in a great deal of speculation concerning the large-scale program of "Japanese-American economic cooperation". These plans are designed to make use of Japan's industrial potential, chiefly in the form of available manpower, and let the Japanese nation produce some of the industrial requirements of the United States under her recent program of national preparedness for any eventuality resulting from the continued tension between the "Eastern" and "Western" blocs. To date, there has been no official confirmation either from United States or SCAP or Japanese Government officials, to indicate that such plans are in progress. But there have been indications on the Japanese side that industrial circles are getting ready to implement such plans should they materialize.

Japanese manufacturers received invitations from SCAP to submit bids for 'entirely new business' worth some US\$ 30

million, Japanese owners of plants and factories previously designated for reparations also report to have been instructed to submit revaluation estimates of the assets represented by these plants, most of which are now in a state of idleness. Some economists interpreted these developments as a move into the direction of expanding Japanese industrial production to the maximum through reactivation of idle or "mothballed" Japanese arsenals and former munition plants.

The Reparations Issue

The Japanese reparations issue is still unsettled. On the basis of the interim reparations program mapped out by the Far Eastern Commission in 1946, a total of 844 munition factories and plants were designated for reparations. Seventeen army and navy arsenals were dismantled and shipped already as reparations to China, the Netherlands, the Philippines, and Britain. On 12 May 1949 the United States unilaterally announced suspension of further reparations shipments. Thereafter, no final decision on the issue has been reached. The Philippines still demand \$1 billion worth of reparations from Japan. Britain's recent position has been reported to maintain that no Japanese naval dockyards should be reactivated under any circumstances whatsoever.

Most of the Japanese army and navy arsenals have definitely remained idle, but of late not a few of the 844 designated plants have started operations, mostly on reconverted basis. Now the owners of these plants are getting the impression that they will soon be given approval to resume full operations on a reconverted basis, regardless of existing controversies on the final outcome of the reparations issue.

The Reparations Board of the Japanese Government has notified owners of plants designated for reparations that they are now merely required to apply to the Board for permission to operate their plants. Officials have stated that owners are no longer required to produce elaborate reports and applications for clearance by SCAP in case the planned operations are to meet requirements for the Korean war or production for the new American war-preparedness program. All such applications filed with the Board will be attended to with a minimum of red tape and will be cleared within 24 hours at the responsibility of the Board.

Of the 844 factories designated for reparations, some former machinegun plants, for instance, are now working on sewing machine production for export; some former tank plants have been manufacturing tractors, and most of the former synthetic rubber plants have recently been reconverted to work on vinyl plastics. In case "new business" requires them again to work on armament production, it is held probable that they will be ordered to demothball their old equipment still idle, or switch operations to the lines in which they specialized during the Pacific War.

Central Japan Heavy Industries, one of three successors to Mitsubishi Heavy Industries, is taking over the famed Zero

Fighter plant in Nagoya, which is already repairing United Nations fighter planes damaged in the Korean theatre. Nippei Industries, successor to the former huge Japan Munition Manufacturing Corporation, was also returned to its former specialized production under contracts with the United Nations logistic command.

Whether former Japanese army and navy arsenals are to be reactivated remains to be seen. Japanese business circles allege that there have been indications of a move to denationalize such arsenals and sell the plants to private industry. Japanese Government spokesmen so far have neither denied these allegations nor refused to comment when the issue was brought up in the Diet, possibly because of the international implications, as exemplified by the recent opposition by Britain. But if all other munition plants are encouraged to resume business, it may be found difficult to maintain a distinction between arsenals and private plants.

Higher Production Targets

Meanwhile, the Economic Stabilization Board has been working on a production expansion program. Under present tentative plans, some of the yearly production targets are:

	Present Output	Present Capacity	1952 Goal
Coal (in 10,000 tons)	4,200	4,400	5,000
Pig Iron "	342	556	600
Steel Ingot "	548	718	990
Aluminium "	3,21	7	11
Electrolytic Copper "	8	11	11.4
Sheet Glass (in 10,000 c/s)	420	700	600
Electric Power (in 100 million KWH)	393	360	500
Shipbuilding (in 10,000 tons)	35	50	80

Japanese business circles generally consider these figures as too ambitious and unrealistic. Much will depend on the supply of materials from abroad, and the availability of funds, domestic or foreign. Japanese raw material imports at present are badly lagging behind required import targets.

The prevailing opinion among Japanese industrial and financial circles is that these plans have little chance of materializing unless they are given positive support from the United States. This would have to include both the allocation of raw materials which are in short supply in Japan, and the extension of funds to finance industrial expansion to enable production to reach the established targets.

Industrial experts are also more sceptical than Japanese officials regarding the present state of technological progress of the Japanese industries. They recognize that Japanese precision cameras have been praised by foreign cameramen as superior in workmanship and performance even to the German originals after which they have been modelled. But, the experts point out, with regard to efficiency of operations, the Japanese camera manufacturing plants are inferior to German precision camera works.

The Japanese also remember that during the Pacific War, the Japanese aircraft industry achieved pioneer work in the

has been able to overcome innumerable threats of violence and make steady progress. Resistance to violence is always in direct proportion to the degree of violence encountered, and will naturally attain that level which is required to overthrow it.

This is proved by the fact that wherever the influence of Soviet Russia penetrates that is the place where anti-Communist feelings are strongest and most universal. But it should be emphasized that the downfall of Soviet Russia would only mean the elimination of an obstacle to the solution of the world problem, and not solution itself. Similarly, the downfall of the Chinese Communists would only mean the elimination of an obstacle to the solution of the Chinese problem, and not its final solution. The phenomenal growth of Communist influence in recent times is attributable to the inability of the world at large and of China in particular to solve certain inherent problems of a very serious nature. Its growth can be effectively checked only when all peoples of the world, including the Chinese, are able to find, in a positive spirit, the clue to their eventual solution. It should be noted further that with the rising tide of Communist influence not only many existing problems have become ever more acute, but, owing to the impact of violence, there has emerged a new set of problems to vex mankind. The result is that everything is being subjected to reconsideration, revaluation, and readjustment. In other words, the problems of both China and humanity at large have been greatly aggravated by Communist expansion. Consequently, there is a pressing demand to study and understand them on the part of all concerned.

As far as China is concerned, VJ-Day was the best opportunity to effect definitive solution of the Chinese problems. But the Chinese Government and people have failed not only to ponder over the rare chances offered by the victory as well as the demands made of them thereby, and still less to act accordingly. As a consequence, the victory which has been bought at the sacrifice of millions of lives is allowed to be dissipated in an atmosphere of muddle-headedness and bungling, leading to the present deplorable state of affairs. It is true that the power of the Chinese Communists in the days to come might well be dashed to pieces by the tempestuous waves raging throughout the world, or be fundamentally transformed by the interplay of their innate animal nature with human nature. But it would be the height of folly and madness for us to expect to stage a comeback with the same absence of effort as was done on VJ-Day. We must have a real grasp of the current situation confronting China and make a real study of the possibilities of her further development, so that we may be able to arrive at approximately correct answers to the questions bearing on thought, culture, politics, economics, and social life. The establishment of the Institute for the Study of Chinese Problems was therefore decided; our aim is to make some contribution in this direction by means of collective, planned studies and the employment of strictly objective methods.

THE PENINSULAR & ORIENTAL STEAM NAVIGATION CO.

On August 22nd, 1837, an historic contract was signed between the Admiralty and the Peninsular Steam Navigation Co., for the conveyance of Her Majesty's Mails between England and ports of the Spanish Peninsula; in the following month the Company published its first list of monthly sailings, and so began a service, as official carriers of the Royal Mail, which was continued to the present day.

Two Scots working in London were the originators of this Peninsular Company—Brodie McGhie Willcox, a shipbroker and commission agent, who, some years before, had opened a small office in Lime Street, and Arthur Anderson, a young man, he had taken into his employ as a clerk. Within a few years, Anderson had become a partner in the firm of "Willcox & Anderson," by then profitably engaged in the running of small sailing ships to ports of the Spanish Peninsula. When insurrection against the Queen of Portugal threatened to disturb their Peninsular trade, Willcox & Anderson were faced with the choice of cutting out their Portuguese trade altogether or of taking sides in the quarrel. They

decided to help the Queen and, salving and buying a stranded schooner, they fitted the vessel out for gun-running to Portugal.

In the course of time the Portuguese insurrection collapsed, but almost at once war flared up again, this time in Spain. Again Willcox & Anderson took sides, on this occasion giving their support to the Queen of Spain in her struggle with the Carlists, chartering and running ships for her, and risking the loss of everything should the Queen's cause be defeated. But the Queen of Spain won her war, and in trading facilities and royal and official favours the firm of Willcox & Anderson began to reap its reward from the Royal Houses of Portugal and Spain.

As in the Portuguese Insurrection of 1832, Willcox and Anderson rendered valuable services to Queen Maria, providing ships and ammunition and helping to raise a loan in England, all at considerable financial and personal risk to the partners, and also in the Carlist Insurrection in Spain the two gave active support to the cause of Isabella, the Queen Regent. Portugal and Spain rewarded these services with valuable trading facilities, and the flag of the partners—later the P. & O.—commemorates this early history, the blue and white being the national colours of Portugal quartered with the red and yellow of Spain.

The benefits of steam had already been fully demonstrated in the few little steamers employed in these wars, and when the Spanish Minister in London sought to establish steam communication with the Peninsula, it was to Willcox & Anderson that the Management of the line to Spain was given, a definite step, this, to the founding of the Peninsular and the P. & O. Companies.

By 1836, the partners were advertising a fortnightly service from London and Falmouth, with a note that this would soon be improved to a weekly sailing to and from the Peninsula. The volume of trade certainly did not justify sailings, but they were necessary to the partners' plans, which they were then urging, for a steamer mail contract to compete with the service of the Admiralty sailing ships.

The first proposals for such a service the Government turned down flat. Willcox & Anderson, however, continued to circulate reports of comparative times taken by steamers and mail packets, and in June of 1837 they were able to point to the performance of the "Braganza" and "Iberia," whereby acknowledgment of mails from England had been received back in Falmouth less than six days after their despatch. The force of public opinion was such that the Government called on the partners to re-submit plans for a steam packet service, and followed this by calling for public tenders on the plans. After some shuff-

ing behind the scenes, the tender of Willcox & Anderson was at last accepted, and the contract with the Peninsular Steam Navigation Company formally signed on August 22nd.

On the 1st September, the first steamer sailed on the mail contract service; on the 15th of the month the Company's "Don Juan," homeward bound with the mails, ran aground off Tarifa and became a total loss. By good fortune, however, Arthur Anderson was aboard, and his initiative and personal exertions ensured that the mails were saved.

By 1839, the Company had so well-established its reputation for regularity of sailings that when the suggestion was made for a steamer service to Egypt and India, it was to the Peninsular Company that the Government went for plans and estimates. Again tenders were invited, this time for the contract to carry the mail between England and Egypt. The tender by Willcox & Anderson for £34,200 was not only the lowest, it was the only one backed by experience and by the substantial offer of suitable vessels at their command. The contract was secured, and in December, 1840, there followed the Incorporation by Royal Charter of the Peninsular and Oriental Steam Navigation Company.

By the terms of their Egyptian contract, the P. & O. were required within two years to open a service in the East between India and Suez, and the progress of "Hindustan's" building for this new venture was widely reported in the press of the world. When she sailed from England in 1842 to take up her station between India and Egypt, it was generally recognised that a new era in Indian travel had begun. There yet remained, however, the problem of the Overland route through Egypt; the barrier of the Isthmus of Suez separated the Eastern and Mediterranean services of the P. & O.

The route at that time offered few attractions to travellers. From Alexandria to the Nile they were carried over the 50 miles of the Mahmoudieh Canal in barges towed by leisurely horses; the transit took twelve hours. A verminous river steamer made the passage up the Nile to Cairo, and then nearly 100 miles of desert had to be crossed in small carriages drawn by high-spirited Arab steeds. Arthur Anderson went out to Egypt to see what improvements could be made.

As a result of his efforts, by 1844 very extensive alterations had been made in the transport of travellers by the Overland route. The Canal transit had been made swifter and more comfortable; well-found fast steamers had been put into service on the Nile and a new connection made by means of locks between the Mahmoudieh Canal and the Nile. Across the desert route,

production of jet fightercraft and that the wartime Japanese "Zero Fighter" became famous throughout the world. But another thing they remember is that even during the war, production in Japanese aircraft plants was slow and inefficient and never able to catch up with requirements of the frontline.

Only after American Superfortresses had levelled most of Japan's cities in bombing raids, did the Japanese produce a handful of fighter planes capable of challenging the B-29's in the air. Another drawback of Japanese plane production was the lack of standardization of production parts: if a Zero plane was damaged in combat, spare parts taken from another Zero fighter would seldom fit.

Japanese manufacturers were also working on radar development during the war, but progress was sorely behind requirements, and before production could be streamlined, Japan had lost the war.

The same inefficiency of Japanese production is still being felt in the postwar industry. This is believed to be one of the reasons why the Japanese manufacturers were reportedly able to obtain only one-third of the US\$30 million of "new business" on which they were invited to bid. Japanese prices were too high, and deliveries too slow, it appears. It is easy to see that a Japanese truck manufacturer cannot expect to get any business when he bids at \$3,000 per truck, to be delivered after three to four months. It may be argued that the Japanese automotive industry is not a representative example, as it is not geared to mass production in Detroit fashion. But the fact remains that Japanese industry in general operates far less efficiently than American industry.

clean and comfortable resthouses had been established. With all these improvements and with the advent of the "Hindustan" and other P. & O. steamers to the Red Sea route, it was not surprising that both passenger and goods traffic steadily rose.

From year to year the Company continued to expand. Within two years of the Egyptian contract, the service extended beyond Egypt to India, by way of the Egyptian Overland route, an unheard of development for a steam ship company, and within five years there were lines branching out to Italy, Greece and the Black Sea, with regular running to Ceylon, Madras, Calcutta and China.

The first Indian mail contract was confined to the Calcutta service, for the East India Company retained the Suez/Bombay service. The P. & O., however, were asked to tender for an extended service from Ceylon to Penang, Singapore and China, and after long negotiation a contract was made for this extension, the first vessel to go on this run being the "Lady Mary Wood" in 1845. Then came public agitation for a mail service with Australia, and this raised once more the old question of the East India Company's Bombay/Suez service. The P. & O. offered to undertake both this and the Australian service for the same amount as the East India Company were receiving for Bombay alone; the East India Company refused to surrender the Bombay service. The dispute then moved to Parliament, and the Deputy Chairman of the East India Company and Arthur Anderson, both Members of Parliament, continued the discussion in the House. Deadlock again resulted and it was not until 1852 that the Government, free to enter into new contracts, made these with the P. & O. In that year, the Company, besides running the Bombay/Suez service, also ran a bi-monthly line between England and Calcutta, a monthly mail between Bombay, Ceylon and China, a monthly mail between Calcutta and China and a new service between Singapore and Australia, connecting at Singapore with the English mail. The "Chusan" of 699 tons and 80 horse-power was the first vessel to go on this Australian service.

During the 1850-60 decade, the Company passed through a difficult, even critical, phase. The fleet had by this time fallen out of date; wooden ships, it was evident, were less safe and less efficient than iron-built, and for long voyages the screw ship had proved its superiority over the paddler. To justify the expense of replacing the existing fleet, running costs would have to be reduced. The Company were, therefore, left with the choice of failing their contracts or of carrying on at a loss for some years. In addition, the price of coal had risen by more than 50%, this at a time when five new ships had been launch-

ed, the biggest of them, the famous "Himalaya," the largest and most powerful ship in the world. It was at once evident that, she would make losses not profits on her voyages.

But by 1860, the P. & O. had come successfully through this difficult phase. The Company had a magnificent fleet of steamers, trade was recovering and the railway across Egypt—a venture greatly supported by the P. & O.—had been increasing both passenger and goods traffic.

In 1869, the Suez Canal was formally opened, the P. & O. liner "Delta" carrying the official guests from Marseilles for the opening ceremony; and by 1872, the Canal had proved itself a final and assured success—a success, however, that threatened disaster and even ruin to the P. & O., since the Company's huge fleets would have to be replaced by ships fitted for the through traffic, and because the Post Office were insisting upon the terms of their contracts whereby the mails should be sent overland and not through the Canal. Year by year the P. & O. income fell, and at this new crisis in the Company's fortunes, Thomas Sutherland became Managing Director.

With the development of the Canal traffic, the Company, faced with freight competition, were compelled to make a complete revolution in their trade, for they had to build a fleet capable of carrying substantial cargoes of low-rated goods. The size of the ships, therefore, rose to meet this need, and in 1887, the year of the P. & O. Jubilee, there were built four fine new ships remembered to this day—the "Victoria," "Britannia," "Oceana" and "Arcadia." All were of over 6,000 tons, an advance of 2,000 tons on their predecessors, and the fact that the Company could now build such vessels was undoubtedly due to the part played by Thomas Sutherland in helping to solve the Suez Canal crisis.

In the present century, the first event of historical importance in the progress of the P. & O. was the purchase in 1910 of the whole fleet of Lund's Blue Anchor Line. In 1914, the British India Steam Navigation Co. was amalgamated with the P. & O., and by the outbreak of war in 1914, the expanded group of associated companies had about 200 ships at sea. In 1916, the New Zealand Steamship Co., and the subsidiary Federal Line were absorbed. In 1917, there came in the Union Steamship Co., of New Zealand, the Hain Steamship Co., and the Nourse Line. In 1919 an interest was acquired in the Orient Line, and in 1920 the General Steam Navigation Co. was joined with the main body of the P. & O. Companies.

In the 1939-45 war, as in previous wars, the ships of the fleet served in every sea and in many different capacities: as troop carriers, hospital ships and Armed Merchant Cruisers. Three

of the twelve P. & O. Armed Merchant Cruisers were lost during early patrols, five troopships were sunk during the North African landings of 1942, and of the coastal vessels all but two had been sunk by 1945.

In the five years that have passed since V. J. Day, many new ships of varying tonnage have been added to the P. & O. fleet. By 1949, four cargo liners, "Soudan," "Shillong," "Surat," and "Somali," had been built to take the place of the four ships of the same name sunk between 1941 and 1943. Two further vessels, "Coromandel" and "Cannanore," were built for the London/Calcutta service, and two great passenger liners, the 24,000-ton "Chusan," designed for the Straits and China run, and the 28,000-ton "Himalaya," for service between the U.K. and Australia.

To-day the fleet has almost regained its pre-war strength, in the number of ships if not in tonnage. Despite the troubles and uncertainties, in peace and in war, of the last 113 years, the Company has continued to develop and expand. The stoutest and strongest floating bridge between East and West is still the P. & O. fleet of liners—giant offspring of those pigmy steamers that sailed under the same flag over a century ago.

THOMAS SUTHERLAND

A P. & O. history would never be complete without referring to the important role the late Sir Thomas Sutherland played in this great enterprise. To do justice to the work of this outstanding man, the "Review" is reproducing the chapter "The Need and the Man—Thomas Sutherland" of the book "A 100 years History of the Peninsular & Oriental Steam Navigation Co." by Boyd Cable which described in detail the history of the Company from 1837 to 1937. The chapter on Thomas Sutherland follows.

Sir Thomas Sutherland, G.C.M.G., LL.D., M.P., Chairman of the P. & O., and Director of the Suez Canal Company as he eventually became, began his business life in 1852 at the age of 18 in the London office of the P. & O., "at the smallest salary given in the office," as he himself put it years after. Two years later he was outward bound for India and China; within twenty he was back in the London office as a Managing Director, with long years of leadership and accumulating triumphs ahead of him.

I have not found any full-length biography of Sir Thomas Sutherland, and if none has been written, I can only say I am surprised, because from the generally known broad outline of his career, I cannot imagine more attractive material for a book of any man's life. But striking and dramatic as were many of the points of his business career, I have found here and there oddments and incidents in his life even more colourful and stirring. For some thirty years of his later life, the Press duly outlined the main features of Sutherland's business life and progress as he made it—when he became Chairman of

the P. & O., when he received his title, when his negotiations with Lord Inchcape resulted in the merging of the P. & O. and the British India Companies into the biggest shipping interests afloat; and, naturally, most fully of all when his obituaries had to be written.

But in all those reviews of his life I have found no mention of what to me were two main turning-points in his career, two opportunities which may have appeared to be trivial, but which I believe were so seized and turned to advantage as to make just all the difference. The first of those turning-points was when the young and unknown Sutherland, aged 20, was sent out to the P. & O. office at Bombay. Bombay was then by far the largest and most important station of the Company in the East with office, docks, repair shops and works, and a commensurate staff or staffs.

Sutherland was sent out to join this large staff, but he had barely arrived at Bombay when he received orders which sent him on at once to China. The reason for these orders he was only to learn many years later. It happened that Mr. Bayley, one of the Managing Directors, was going down to Southampton by train, and in his carriage met a young man proceeding to Southampton on his way to join his ship for China in the Company's service. The two got into conversation on the day's journey; it then was, and Mr. Bayley was apparently well impressed with the young man's personality, or wished to be friendly to him. He asked whether the lad would not rather be stationed in the bustling business and social centre of Bombay instead of in the unhealthy climate and quiet backwater of the China station. The young man naturally said that the Bombay station would be very much more acceptable, and Mr. Bayley told him that something might be done about it.

The result was that immediate transfer of Sutherland from Bombay to China. This may have seemed hard luck for Sutherland, but I gather from many letters of the Company's shore staff of those days that, little as he may have guessed it, Sutherland was being given a streak of luck and a real chance to make his weight felt.

Those letters make plain what was the feeling of the young and keen shore staff men in the Far East stations. They were hard worked, or even hard driven at times; but they were, in perhaps a comparatively small way, important members of the staff and of the community. What they did, well or ill, counted for or against them in an Eastern station and office, and eventually, in the London office and the reports which went before the "Court of Directors" and the Managing Directors.

On the other hand, the young man in the Bombay or Calcutta station was "small fry" indeed. However much or little he did, good, bad, or indifferent, was submerged in the reports of his department or his chief.

For obvious reasons, the keen and competent young men preferred to be posted to the smaller out-stations, however less comfortable and pleasant the social life; and they dreaded and fought, by every possible or impossible means of social or business friendships, accident, and (last resort) doctor's certificate, against a shift to the important stations, where they would be merely submerged and lost.

Sutherland, knowing nothing of this major difference, was saved from being reduced to a cog in the big Bombay wheel, and given a chance to become a wheel in himself in China. This I count as the first, and perhaps the biggest and most important, chance given him.

He took hold of this chance with both hands. In the next dozen years he made himself a personage, not only in the affairs of the Company, but throughout the East. Again I must quote from letters of the colleagues of his day—entirely private letters written to the family at home, never intended for publication or circulation outside the little group of the family's friends and relations. Says one of these letters: "Sutherland I like him much..... a thorough gentleman as well as a clever man and good man of business..... eminently given to hospitality and will have everything in the best possible style..... his dinners are a by-word in Hongkong". Another writer: "Sutherland..... a little king in Hongkong and all over China both amongst the English and the Chinamen. Even the biggest Chinaman would 'lose face' (what you would call standing or acceptance amongst his business circle) if he was not on good footings with P. & O.—which out here means S."

Another and last, which rather sums up the position in the East in those days, the positions which Sutherland escaped and reached by that chance of being sent to China instead of Bombay: "I am doing everything to get sent to China under Sutherland and not to Bombay under the mass of favourites there. Sutherland gives everyone a chance. We all know what he can do and does do. Let us hope they do not drag him back to London, where he would be lost in the herd like me if I went to Calcutta or Bombay."

Fortunately for the Company, Sutherland was "dragged" back to London; but only after he had laid a foundation of experience and knowledge attained through years of hard labour as well as discomfort and danger.

In China then, enervating and debilitating sickness and protracted illnesses were a normal and expected commonplace. Every European suffered mildly or severely from the still baffling and mysterious "China fever," and there were few who could stand more than a few years without either dying of it or only escaping by being sent home. In those days there was no system of sanitation and no water supply, except from primitive and rather doubtful wells. The creeping and flying carriers

of disease germs were even worse than in Egypt. Sutherland went all through this, maintaining an unbounded energy and activity. In addition, during the years he was in China, he had to face, with other Europeans of the small colonies there, dangers of physical violence from the native population.

He was about twelve years in China, and almost without interval we were then at war regular or, worse, irregular war with China or Japan. In China, a price was almost permanently on the head of every European, the price being payable, cash down, on production of the head, irrespective of the importance of its late departed owner. For years Sutherland, like all others of the English community, always carried a revolver, slept with it under the pillow, and on going out to dine, took the revolver along to place ostentatiously under the chair, just in case their own servants took a chance to win the head money. He, and other Europeans, went through a more trying ordeal when the Chinese baker made a wholesale attempt at poisoning all the white community he served. About eight one morning a sudden alarm went round that Europeans were falling in the street or hanging to the doorposts retching and writhing in agony; and it was quickly plain that they had been poisoned. The breakfast rolls which had been delivered that morning were found to be so overloaded with arsenic that, fortunately, the poison had worked its own cure, the overdose causing quick and violent vomiting, which quickly and thoroughly got rid of the poison. Sutherland escaped all this, because it was mail day, and he had been hard at work in the office, hours before breakfast time. The baker was afterwards tried, but nothing could be proved against him, and he got off, although it is not surprising that his sale of bread went down and the demand for tinned biscuits went up with a rush.

Sutherland, in addition to his constant activities for the P. & O., found time to organise the Hongkong and Shanghai Banking Corporation, to the great advantage of commerce between Britain and the Far East, and also to help with the forming of the Hongkong and Whampoa Dock Company.

About 1859, he made a dash over to Japan, taking the only craft then available, one of the beautiful little heavily canvased and hard-driven opium clipper. This was when a commercial treaty had been made with Japan but had not begun to operate; but Sutherland was intent on surveying the possibilities in advance.

Japan then had been closed to the world for over two hundred years, the only foreigners permitted entry being a few Dutchmen, who were allowed to trade to the extent of loading two ships a year. The Dutch community consisted of half a dozen or so people with two or three bungalows and storehouses, all planted on a little peninsula at Nagasaki. The area of the whole settlement

was about half the size of a football field, and the peninsula became an island each night when a drawbridge, which was always under a Japanese guard, was hauled up, so making sure nobody could pass on to (or off) the Dutch Territory.

Sutherland stayed about a week, meeting the Dutch governor and "factor," and, through him, some of the Japanese merchants. It was not long before he was back, this time to investigate the possibilities of a mail line between China and Yokohama, and this started in 1864 with the purchase of a little 600 ton steamer, the "Corea."

It was many years later, in 1904, that at a General Meeting, Sir Thomas recalled that he had been the main means of opening the trade with Japan and wondered if he had done a wise or a foolish thing. Japan was then, he said a primitive country with no conception of foreign trade or commerce, but they had since learned so much that they had become one of our severest competitors.

His words then, over thirty years ago, were more truly prophetic than most would have believed. "Japan has been, and will be," he said, "one of the most determined competitors of the commerce of this country, and all Western countries, and Japan, by means of subsidies and bounties, by means of cheap labour—so cheap that we can hardly apprehend it—will strain every nerve whenever she has the opportunity to make herself felt in all the commercial markets of the world."

He went on to say: "You are aware of the fact that the Bombay mills have succeeded in completely ousting Manchester from a trade which she formerly enjoyed in exporting yarns to China. Bombay's success was so great that Japan took up the trade, and Japan is striving by every art to oust Bombay from the same trade from which Bombay ousted Manchester. It is our unhappy fate to carry cargo for those two opposed interests. We carry raw cotton from Bombay to Japan in order that Japan may cut the throat of Bombay. We carry cotton twist from Bombay to China in order that Bombay may cut the throat of Japan; and in serving these two interests, I can only say that, to try and satisfy them only brings to me the sort of feeling of being between the devil and the deep sea."

What even Sutherland did not foresee then (1904) was that the day was to come when Japan, by means of other "subsidies and bounties," was to take both those carrying trades from the P. & O. and from British ships. From a speech by the present Chairman last year (1936), I learn that in those days practically the whole carrying between India and Japan was by British ships; and that now Japan has captured some 80 per cent. of the trade and is fighting hard to seize the rest. The former Chairman felt we were "between the devil and the deep sea"; and the present Chairman tells how we are being driven

off the deep sea and this by means of those very "subsidies and bounties" which Sutherland prophesied were to be used to secure Japanese supremacy.

Sutherland was brought back to the London office in 1866. During his stay in China he made many visits of inspection to other stations, and had seen and helped the P. & O. trade to grow enormously. His continuous stream of reports and suggestions had greatly impressed the Directors, and especially Anderson, and it was evident that his knowledge of the East must be of incalculable value in Head Office. Anderson's good impressions were more than confirmed, and it was one of his last acts before his death to have Sutherland appointed Assistant Manager in 1868.

This was when the impending shadow of the Suez Canal was hanging over the very existence of the P. & O., and Sutherland, sure of the enormous changes it would bring to Eastern traffic, devoted himself to the work of preparing, and then of reconstructing affairs to meet the flood of competing shipping.

The Board appointed him Managing Director in 1872 with the two other veterans then in that service, James Allan and Henry Bayley. Sutherland was then well under 40, and although his ability was well known to the Directors, it must have seemed to many outside them that he was far too young for such responsibility. It was at this point that there arose a situation of internal or domestic politics in the Company which now would be too trivial, too tiny a "storm in a tea-cup," to be worth mention, but for the fact that I believe it gave Sutherland his next big chance, just as his first was unwittingly given him when he was sent to China instead of Bombay.

A certain Captain Bain sent to all the shareholders a couple of bulky printed pamphlets bringing every sort of accusation against the Managing Directors—charges of incompetence, roguery, cooking the accounts, buying ships and stores at excessive prices for inferior quality, taking secret commission, almost every business crime conceivable—altogether a total of 213 charges. He declared his intention, as one of the Proprietors, of calling at the next General Meeting for an enquiry into all the charges.

The Charges were so sweeping, so detailed in statements of instances, dates, and figures, that it could hardly have been supposed they were all brought without some good reason or basis of facts of which the writer was in possession. Naturally, the Press gave full space to the sensational story, so that, again naturally, the General Meeting was packed to the doors. Captain Bain began by adding a further string of charges and a mass of figures to support them. Sutherland, as one of the Managing Directors accused of all these misdeeds, was given the task of answering. I have read his speech

in full, and imagine it must have taken two to three hours to deliver. It was packed with simple but clear and striking figures and irrefutable facts denying and disproving the charges brought. It was a masterly, a brilliant, speech, even reading it in cold print, and every sentence in it scored heavily.

Captain Bain, who was taking the responsibility of speaking, as was supposed, for a large body of shareholders of whom he was one, turned out to be holder of five shares, on which £10 each had been paid. He had held minor commands of two of the smallest ships in the Company's fleet; in 1865 he had married a niece of Arthur Anderson's, and for the next year or so had practically nothing to do with the affairs of the Company. Then, at Anderson's request, he was appointed an Assistant Director, mainly for the convenience of Anderson, who wished to use him as a sort of personal assistant.

After Anderson's death in 1868 Bain was sent on a round of inspection of Eastern stations, but his reports were so unsatisfactory, so full of charges and complaints without any evidence he could bring to support them when asked to do so, that the Directors decided he was useless on such work. He was then appointed to Glasgow to help superintend the large tonnage then building there. He refused to go, and then made it plain enough to the Directors that he supposed the mantle of his wife's uncle, Arthur Anderson, had fallen on his shoulders, and that he expected such an important position as would fit that belief.

He also made it plain that he knew enough to make matters hot for the Directors and Managing Directors, and meant to do so unless he were given such an appointment as he thought right. Naturally, he was dismissed on the spot, although later he was allowed to resign instead, whereupon he set about his agitation, his circulating of pamphlets and stories to the Press. All this Sutherland related briefly but crushingly.

The conclusion of Sutherland's speech was a last smashing blow. Two letters were read from Bain to the Directors, dated only a few months before the Meeting, and long after he had circulated his pamphlets. In these Bain made it perfectly clear that, even at the last hour, he was willing to drop the whole matter and, if he were given the appointment he wished, to act harmoniously with the management "notwithstanding what has taken place hitherto."

It is hardly surprising that at the Meeting he was laughed out of court; but it is surprising that 213 charges, made deliberately and clearly in cold print and backed with detailed figures, could have been so completely and glaringly refuted in the course of a single speech.

When the vote was taken, there were nine hands raised for Bain's call for an enquiry, against the whole forest of

TRAMP-SHIPPING

The word "tramp" conjures up in the imagination the picture of a dirty, unkempt and forlorn vagrant in tattered clothes, his belongings suspended at the end of a stick, trudging along the road, with the sky as his roof and the ditch his bed. To ascribe such a dismal portrayal, to a tramp of the seas, is to do the gravest injustice to a fine array of ships and gallant men who sail them.

Tramp vessels are primarily meant to provide shippers with an efficient and cheap means of ocean transportation. Embellishments and gay trapping have, in consequence, to give way to practical equipment to ensure economy of operation. The main interests of tramps lie in the conveyance of the world's agricultural commodities from the producing to the consuming areas, the movement of primary products from the extractive industries to the manufacturing regions and, generally, in the transportation of homogeneous bulk cargoes to and from any part of the world. Tramps seeking freights may be taken to lesser known ports in the more remote parts of the world, where a full cargo of any appreciable tonnage may not always be readily available, or the depth of water may not allow for a deep-drafted vessel or the facilities for the handling of cargo may be inadequate. To meet such conditions, tramp vessels have to conform to average, rather than specialised types, sacrificing the advantages of size to mobility and adaptability. Some tramps leave their home waters in the course of their employment, and engage in trade between foreign ports, which might sometimes keep them away from home for many years at a stretch. Tramp owners rarely own permanent port facilities, nor do they need imposing shipping offices. Their main form of contract is the "Charter Party," which is sufficiently flexible to cater for a variety of forms of hire and service. A distinct service rendered by tramps to shippers is the offer of a choice of "optional ports" for the discharge of their

cargoes. It may well be that at the time of shipment, negotiations between shippers and their prospective foreign buyers may still be pending. In such an event, the optional ports set out in the Charter Party, extend the market for the shippers' cargo, which is a convenience, impracticable for liner services to provide. On the whole, tramps and liners keep to their self-appointed spheres of activity. Overlapping of a kind however occurs, where a liner service taking advantage of low freight rates prevailing in the tramp market, "time" charters a vessel for service on its liner run, either to meet a seasonal demand for increased tonnage, or to tide over a period where the liner company's vessels are undergoing repairs or routine surveys. A freight broker or shipping agent, finding adequate freight available, may also charter a tramp and advertise it, as loading "on the berth." If these intrusions into a liner service's preserves become frequent, tramps can act as regulators of liner freight rates, by forcing conference lines to take notice of the low rates offered by them.

Tramps are owned by relatively small concerns, often by one-ship companies, which have remained strongly individualistic. Where for reasons of financial expediency they have become subsidiaries of larger shipping combines, they have still continued to retain their individuality, despite the restraints of their holding companies. A development which appears to be popular among tramp operators is the "managing owner" set up, through whom, a number of tramps belonging to different owners is managed from one office. This form of rationalisation of management is not without its economies to tramp owners who are parties to such a merger.

The management of a tramp calls for the highest skill in the making of quick decisions, the display of individual initiative, the taking of risks and the creation of a strong sense of partnership between management and members of the crew. These qualities of management tend to restrict the managerial unit to a size, where it can be efficiently and remuneratively employed.

The tramp freight market is highly competitive and organised on an international basis. It is centred in the Baltic Exchange at St. Mary Axe in London, where the world's tramp tonnage requirements are dealt with amidst keen commercial rivalry. The aim of the tramp owner is never to leave his vessel unemployed, as time expenses continue to run whether in port or not. He will so fix his voyages, that his vessel will be at the right place and at the right time to avail himself of advantageous freight rates in a port, where the demand for spot tonnage is far in excess of the available supply. Competition at the Baltic Exchange has at most times been as near conditions of perfect competition as it is practically possible to get and several attempts to restrict ruinous competition have proved abortive. Prior to the 1914-18 war, the Sailing Ship Owners International Union attempted to remove competition by fixing minimum charter rates, but the attempt failed due to lack of support. Since the end of 1929, a slump in world trade set in. Taking the index year 1913=100, the volume of world trade, which stood at 130 in 1929, rocketed down to 96 in 1932. The world's sea-borne trade for this period, taking the index year 1913=100, declined from 185 in 1929 to 101 in 1932.

In 1930, 8% of the world's shipping tonnage was laid up. By 1932, the percentage had increased to 20%. It was obvious that there was an excess of shipping tonnage in the world. This surplus tonnage competing for a diminishing volume of freight, resulted in competition of the most determined kind. Freight rates dropped almost to the level of the prime costs of the most efficiently run tramp. By 1934, British tramp shipping was in a parlous state. A high proportion of its tonnage laid up, accumulated

reserves almost exhausted and the future holding no prospects of an early revival in world trade, such confirmed individuals as the tramp owners were constrained to approach the Government for a subsidy. They maintained that British tramp shipping had to contend with unequal competition from subsidised foreign vessels, whose crews were ill-paid and whose standards of safety were far from adequate. In 1934, the Government granted a subsidy to British tramp-shipping. The amount was not to exceed £2 millions over a period of one year. The main object of the subsidy were:—(i) to prevent interline competition among British-owned tramps; (ii) to secure greater employment at the expense of foreign subsidised shipping; (iii) to build new tonnage or modernise the existing vessels; (iv) to scrap uneconomic British tonnage and to purchase foreign ships for the same purpose. British tramp owners, armed with the newly-won subsidy weapon, showed commendable foresight in not entering into disastrous competition with their erstwhile rivals, particularly the Greeks, but negotiated minimum freight rates with them. By 1935, there was a marked upward trend in world trade and the subsidy was withdrawn.

Shipping is unique among man's occupations. In that, it is the first to feel the impact of a trade depression and the last to recover from its consequences. Up to the end of 1937, the improvement in world trade was progressively maintained. In 1939, England was once again at war, and British tramp shipping came under the control and direction of the Government. Contrary to popular belief, tramps placed at the service of the nation a comparatively new fleet of ships, of an average age of 11.5 years as against the 15 years vintage of more elaborate ocean liners. At this time, 24% of the total tonnage of the British Mercantile Marine was comprised of tramps and 57% of liners. In all theatres of water-borne operations, 807 U.K. owned tramps, representing nearly 8 million gross registered tons, the highest proportion among any single class of commercially-owned vessels, were sunk. Many more were either partially or totally disabled. The magnificent contribution made by British-owned tramps, together with those of allied nations towards the common victory, is amongst the finest achievements in the glorious annals of their history.

Wartime controls and direction of shipping were continued even after hostilities ceased, though they were less vigorously applied. Tramps were permitted to undertake chartered voyages, but they were not freed from adhering to scheduled freight rates fixed by the Ministry of Transport. By the 31st December, 1947—hardly two years after the end of the European war—tramp shipping showed such enterprise and sagacity in rehabilitating itself, that it accounted for 34% (including returnable tonnage under Lease Lend), while liner shipping declined to 45% of the total tonnage of all U.K. commercially-owned vessels of 1,600 gross registered tons and over. In peace as in war, tramp shipping has made an outstanding contribution towards Britain's invisible exports and the reduction of her adverse balance of payments.

At the beginning of December, 1948, the British Government announced the release of deep-sea dry cargo shipping from adherence to scheduled freight rates, and tramps once again won the freedom for which they longed. In the meantime, a radical change in the pattern of world trade had taken place. Apart from Government intervention in commerce, bulk-buying, barter and bilateral trade agreements, exchange restrictions and the changed conditions in ports throughout the world have made the task of tramp owners in fixing their ships to carry cargoes steadily, and therefore economically, a matter of the utmost difficulty. Another post-war development which has affected tramps intimately, has been the change in the areas of surplus food production in the world. This has necessitated food

hands for the contrary vote. At the close of the meeting, one after another of the shareholders rose to congratulate Sutherland on his lucid speech and illuminating insight in every direction into the affairs and position of the Company. One, in calling for a special vote of thanks to Sutherland, remarked that the thanks of the Meeting were also due to Captain Bain, because his action had resulted in their discovery, not only of how great an orator Sutherland was, but, also how voluminous and exact was his knowledge on every phase of the Company's business, at home and abroad.

This, in fact, was the dominating outcome of the whole rather childish business. Sutherland had made a mark with the whole of the proprietary. After that day his opinions and guidance were accepted, as I do not believe they would have been without another score of years of experience. When the Chair became vacant in 1880 Sutherland was appointed Chairman, to the unqualified satisfaction of the proprietors, although he was even then only 46.

He continued to act as Chairman for some thirty-four years, and very largely, or some would say entirely, owing to his brilliant leadership, brought the Company through one severe and even desperate difficulty after another.

RAILWAY TRANSPORTATION IN TAIWAN

By Juan T. R. Liu

Transportation, said Dr. Sun Yat-sen, is the key to Industry and Railways, the key to Transportation. It is plain that abundant transportation facilities bring to industrial depots, at low cost, raw materials from hundreds of miles away and thus makes mass production possible. With effective rail transportation, production of food and goods for a better standard of living is speeded and swift distribution to city dweller and farmer is accomplished. It gives every man freedom of movement allowing him to live and work where he chooses. Without extensive rail transportation facilities, the settlement and economic exploitation of mountainous regions would be impossibilities. More perhaps than in any other country, rail transportation is the backbone of Taiwan, politically and economically.

The Taiwan rail network was laid in 1887 by governor Liu Ming Chuan of the Ching Dynasty with a total length of 106.7 kilometers. This beautiful island though confined within narrow topographical limits has been exploited with many convenient railway communications to meet the needs of the public. After the occupation by Japan, track lengths totalled 1,682.4 kilometers. Today the railways of Taiwan are made up of a network of main and branch lines totalling 227.1 kilometers on the east coast and of 1,455.3 kilometers on the west side of the island. Besides, there are also 2969 kilometers narrow gauge and light rail, owned by Taiwan Sugar Corporation and Forestry Administration for the purpose of transporting sugar and lumber. Thus the well developed port facilities at the Keelung and Kaohsiung Harbours, the dense networks of railways and high ways throughout the whole island provide public conveniences unparalleled in any other of the Far East Countries.

During the late World War, Taiwan Railways were one of the worst sufferers; both the west and east lines were in urgent need of rehabilitation. After the return of the island to China, the government has exerted great effort to rebuild them thus helping them towards an era more prosperous than ever before. Because of the constant damages caused by rainfall, typhoon, and allied aerial bombardment before 1945, the bridges, rail, sleepers, and auxiliary equipment deteriorated to a great extent. All of them were repaired within

a surprisingly short time. Many of the damaged locomotives and trains were also speedily repaired and put into active service again. Ventilation apparatus, electric fans, better lighting and toilet equipment have been installed in each passenger car. Inspectors have been on each train to enforce sanitary regulations. Many station platforms will be extended, work has been started in four stations of the west lines, namely Hualien, Yuanling, Lotung and Taichung back station which have been improved, and each station has been provided with public telephone and telegraph conveniences. New sewage systems in all stations will be constructed.

Improvements in the design of railway trains have not missed the newly streamlined trains put into service, which run from Keelung through Taipei, Taichung, Tainan to Kaohsiung. It need hardly be said that these latest streamlined trains are beautifully designed for the comfort of the passengers, with excellent comfortable upholstery and lighting distributed evenly throughout each car. In the daytime, one of the prettiest and exciting parts of the run of this train is by the inward line on the west coast, near Taichung. This luxurious train has been running continuously so that we can all enjoy the fun of travelling. The night train leaves Taipei at 10.30 p.m. and at 7.55 a.m. the next morning it steams into the city station at Kaohsiung, after a pleasant journey, during which its passengers have slept peacefully in their comfortable bunks, or beds. The space between the double floor and the sides and roof of the first or second class sleeping cars are packed with asbestos felt. This not only reduces vibration but makes travelling amazingly quiet and peaceful.

In addition to it, Taiwan railways link the people and pupils with cultural centers, with schools, with government offices, regardless of where they live. In Taiwan, several main and branch lines provide cheap public transportation to many areas, including those where motorbuses cannot be operated economically. They bring almost 50,000 village pupils daily to large, well-equipped city schools. They bring thousands of people who work in Taipei, but live in the quiet and prettier suburbs. Buying monthly tickets, they only pay one fifth of regular fare.

In keeping with the plans of developing and repairing the bridges to supplant the old bridges of the operating lines and supply bridges for new lines, has been established in Taipei. New warehouses for the relay-transportation of land and water have been built.

While service to the public deserves to be stressed, the importance of efficiency of economy should no less be emphasized. The public should therefore be given the best of services, and wasteful practices should be eliminated. As to freight service, Taiwan Railway Administration established an organization of

Railway Freight Service for the convenience of the people. Its head office is in Taipei, and it has sixty branch-offices distributed along the Railway lines. It owns 313 warehouses scattered all over the line with a total storage capacity of 126,000 metric-tons. Any merchant wants to transport any kind of commodities, which offer warehousing, pick up and delivery, loading and unloading freight and consignment facilities.

The maintenance and construction of the railway have always been the source of grave concern. The branch line from Chiayi to Mt. Ali winding around the steep cliffs and slopes of the mountain, runs through many of the longest tunnels in the world. These have been cut through rocky cliffs but are easily damaged by heavy rainfall and typhoons. This branch line under TaiRail supervision is really the most perilous but beautiful-scenic mountainous line in Taiwan. The Forest Administration has spent a lot of money for the maintenance of its transportation. Along the trunk line there are 212 major bridges with a total length of 8.6 kilometers. The replacing of more than one thousand and four hundred tressels is a very hard task. Tunnels are another outstanding feature of TaiRail providing passage through the rugged and mountainous terrain of this country. There are 59 tunnels with a total length of 18.7 kilometers. The slope protection work preventing landslides therefore demands considerable attention.

As a step towards the construction of the island wide railway it has already drawn up a plan to use the railway surplus and American aid in the construction of new railway lines. Since the completion of Chu-tung to Newan sub-lines, the construction of parallel lines of the west coast from Chiayi to Tainan have been decided upon. Surveys for the around island lines will be finished in the near future.

The following table indicates the operations of the railways from 1945-1950.

	Monthly Average Number of Pass- engers carried by TaiRail (west line) 1945-1950	Monthly Average of Freight Ton- nage transported by TaiRail (west line) 1945-1950
1945	3,343,600	213,400
1946	3,605,260	194,600
1947	3,848,000	289,500
1948	4,747,500	375,200
1949	5,649,500	467,500
1950	5,590,387	508,001
	Monthly Average of Passengers Kilometers (west line) 1945-1950	Monthly Average of Ton- Kilometers (west line) 1945-1950
1945	136,343,231	31,904,042
1946	127,767,540	27,490,723
1947	140,108,014	42,049,777
1948	163,130,072	51,903,399
1949	199,129,840	65,015,738
1950	170,887,494	72,276,582

If we average the number of passengers carried by TaiRail daily, it reaches 183,794 persons as compared to the highest number of 170,103 persons daily

cargoes being transported over longer distances far removed from their historical trade routes.

Tramps represent the free-lances of the shipping world, the competitive unit par excellence. They can roam across the oceans, discriminate in the choice of their employment, lay up their ships during a slump and bring them back again to service when prospects look brighter. They have no friends to make, no powerful interests to placate. They are as impersonal as taxi cabs, as impassive as departmental stores. In common with their mundane namesakes, they are both born to wander—the one over hard sunbaked roads, the other over the watery wastes of the oceans.

Taiwan Economic Review of 1950

Despite the atmosphere of political and military uncertainties, the economic year of Taiwan in 1950, was a year of progress and tranquility, thanks to the efforts made by the Government with the co-operation of the people and to the generous assistance rendered by ECA and JCRR. As compared with 1949, its external trade expanded in 1950, especially that with Japan. Its agricultural production was all satisfactory while the picture of industrial production was not altogether poor. Currency was stable, government revenues increased and communications improved. The year's national income was probably higher than that of 1949.

On the other hand it is admitted that during the year commodity prices were not as steady as hoped for and that the foreign exchange and trade controls were not as well planned. It is also conceded that the costs of production were generally too high and that the remuneration of government employees was too low. While all these were unstable elements which should be corrected, it should be emphasized that what has been achieved far outweighs what has not yet been accomplished and is therefore worthy of appreciation.

Price Movements

Prices increased probably 100% on the average during the year. According to

in Japanese occupied period. Accordingly the passenger train runs average 507,079 Kilometers monthly as compared to 442,855 meters under the Japanese. As to the number of trains running daily on the west line, consult the table below

Number of Train Runs Daily (1945-1950)

1945	175	1948	328
1946	170	1949	383
1947	259	1950	448

In 1933, the number of trains running daily on TaiRail averaged 352, but in 1949, it reached 380 and in 1950, 448. In order to make further improvement, a thorough investigation of business methods and administrative efficiency will be made. In the meantime competent engineers and other staff members have been selected to be sent to Japan investigating her new railway administration and technique evolved in recent years.

Since the mainland collapse, materials as well as equipment required for the communication reconstruction have depended on aid from the United States Government. Last year a number of passenger cars were obtained through American assistance, the Director of Railway Administration Mr. Moh Heng has seen thirty years' service in Chinese railway administration. He has started his well planned programme to improve the railway work and facilities. Within a short period of two years there have already been many signs of great achievement. For the welfare of the public, we still expect Taiwan Railway Administration to continue its efforts for improvement.

the Bureau of Accounting and Statistics of the Provincial Government, the general index number of wholesale prices in Taipei moved from 182.78 in December, 1949, to 344.71 in December, 1950, a rise of 88.5%, while according to the general index compiled by the Bank of Taiwan, the rise during the corresponding period was over 115%, the later index being dominated by internationally traded commodities. Prices were steady between March and July, and during June and July they showed a slight decline. It was in January and October that they rose most seriously—an increase of 19.58% in January and 12.15% in October over the respective previous months, as shown in table I. February and September also witnessed an increase of 10% each. In November and December, however, the rising trend tapered off. The significant rise in January and February

was probably due to the large government expenditures at the time and that in August and September was partly due to the fiduciary issue and partly to the international price situation.

Food prices were steady during the whole year, their rise being less than 63%, contributing the most stabilizing factor in the whole price situation. The prices of metals and electrical materials were the worst, rising by over 163%, caused by speculation, inadequate supply and slow turnover. The group index number for fuel and light came highest next to metals, that for building materials third and clothing fourth. Generally speaking, the prices of domestic products were comparatively stable although their level was not low, while imported articles showed much greater fluctuations in their prices despite the exchange rate remaining very steady since June.

TABLE I.

Date	General Index	Food	Clothing	Fuel & Light	Metals & Elec Mat'ls	Building Mat'ls	Misc.
1949:							
June	100	97	100	104	98	97	107
Dec.	182	153	159	207	294	232	194
1950:							
Jan.	218(119)	188(122)	173(108)	266(128)	368(124)	295(127)	218(112)
Feb.	242(110)	213(113)	173(100)	286(107)	386(105)	331(112)	259(118)
Mar.	244(110)	220(103)	161(92)	288(100)	387(100)	329(999)	274(105)
Apr.	248(101)	231(104)	172(106)	300(104)	383(99)	317(96)	258(94)
May	255(102)	239(103)	178(103)	345(114)	369(96)	295(993)	266(102)
June	247(96)	219(91)	173(96)	367(106)	322(90)	299(101)	272(102)
July	246(99)	219(100)	172(99)	402(109)	319(96)	300(100)	260(95)
Aug.	265(107)	222(101)	202(117)	398(98)	346(108)	308(109)	303(116)
Sept.	294(110)	225(101)	255(126)	425(106)	458(132)	356(108)	343(112)
Oct.	330(112)	247(109)	315(123)	458(107)	628(137)	364(102)	363(105)
Nov	336(101)	247(99)	351(111)	442(96)	651(103)	373(102)	363(100)
Dec	344(102)	249(101)	350(99)	462(104)	638(97)	389(104)	390(107)

Base period: June 15, 1949: 100, No. of commodities 50. Formula: Simple Geometric Mean. Note: The figures in parenthesis are link index numbers.

Production

The agricultural production of Taiwan during 1950, was generally satisfactory. Due to favorable weather conditions (there was no typhoon last year) and the good maintenance of irrigation systems, rice registered a record production at 1,400,000 metric tons. Production of both bananas and oranges exceeded the previous year's output and timber produced 125,000 cubic feet, 50% over the 1949 figure. Sugar-cane production was 5,000,000 metric tons.

As in the following table, comparing the expected and actual productions of the various government-owned industries for the period between January and November, 1950, the output of a few of the industrial enterprises reached expected quantities, as in the case of electric power and sugar production. Tea and caustic soda, on the other hand, gave poor showing, reaching only 43.47% and 46.83% of the respective expected amounts. Salt and canned pine-apples also showed low production.

Industry	Unit	Production Expected	Actual Production	Percent
Salt	m. tons	234,773	145,633	62.03%
Electric Power	1000 KWH	916,669	940,712	126.26
Rice Paper	M. Tons	8,793	7,985	90.82
Caustic Soda	"	5,820	2,783	46.83
Cement	"	366,666	294,884	80.41
Sugar	"	560,000	612,331	109.35
Alcohol	Liters	15,000,000	25,495,287	169.97
Tea	kgs.	1,780,464	773,934	43.47
Canned Pineapple	cases	105,000	69,166	65.82
Cotton Yarn	kgs.	2,175,050	1,372,175	60.31
Camphor	"	1,261,420	1,024,907	80.12
Cloth	kms.	9,672,300	6,597,596	65.11
Gunny Bag	pieces	6,462,500	4,610,424	71.31

The Economic Situation in Manchuria

News from Manchuria (Northeast China) is scarce except for official releases which are always heavily charged with propaganda. What non-official information is available for the outside world is too sketchy to allow the compilation of a well-rounded report on that remote area of China which has become the industrial and military base of communist China. The chairman of the Manchurian government (Northeast People's Government Council), Kao Kang, is periodically reviewing developments in his domain, and in the following an extract of a recent report of Kao Kang is published ('Report on Economic and Cultural Construction in the Northeast in connection with National Defence' by Kao Kang to the 3rd session of the Northeast People's Govt Council, Feb. 27, 1951).

In 1950, the total value of the produce of the Northeast's agriculture and state industries increased by 71.7 percent over 1949. The value of industrial goods increased 117.3 percent and the value of agricultural products, 44.1 percent. The total value of the produce of the state industries exceeded the original plan by 10 percent. The number of workers and

employees increased by 35.2 percent over 1949. The total agricultural output of the entire area exceeded the plan by more than 6 percent. Rail transport exceeded its loading plan for the year by 9.2 percent.

As a result of the development of Northeast China's agriculture and state industries, private industry and commerce in the Northeast have also developed. In the municipality of Mukden, for example, there were 12,007 privately-owned industrial establishments with 50,413 employees in December, 1949. By November, 1950, these figures increased by 30.2 percent and 32.4 percent respectively.

The development of industrial and agricultural production in the Northeast in 1950 shows that industrial production has made another great stride forward over 1949. In order to strengthen national defences and enlarge the industrial base, it is necessary to adopt the policy of rehabilitating and developing heavy industries in the first place. Emphasis has therefore been placed especially on the rehabilitation and development of the manufacture of the means of production. The output of the means of production

was 77 percent of the total output of state industries in 1950, while the output of consumers' goods was 23 percent of the total.

The production and supply of mass consumption goods was not neglected, 1950 production of the cotton yarn, cloth and paper factories under the management of the Northeast Department of Industry was cotton yarn 250.4 per cent; cotton cloth, 246.5 per cent; paper, 220.5 per cent of 1949 production. The supply of daily necessities by state trading companies exceeded the 1949 total by 126 per cent. Sales of cotton cloth rose from four million bolts in 1949 to 9,020,000 bolts in 1950, thus registering an increase of 125 per cent. To promote the circulation of goods, the number of state trading companies increased from 1,060 to 1,721 from 1949 to 1950. The number of co-operatives increased to 10,335 with 10,700,000 members (according to returns for the third quarter of 1950).

As a result of these economic developments, large sources of revenue have been tapped which not only ensured that the budget was balanced, but also provided the funds for national defence expenditures and investments for economic construction. The real income of the entire Northeast area in the year 1950 exceeded the originally planned amount by 21.7 per cent. At the same time, considerable economies have been achieved.

These economic developments have not only provided for the needs of national defence, but have also considerably improved the living conditions of the people. In 1950, factories and mines under the management of the Department of Industry of the Northeast not only increased their staffs, but also raised wages, increased employees' housing facilities and carried out other welfare measures. The average wage of workers employed in heavy industry increased from 140 units* in December, 1949 to 157 units in 1950, thus giving an average increase of 12.5 per cent. More than 1,560,000 square metres of dwelling space, including clubs and hospitals, were constructed for workers and employees by the enterprises under the Department of Industry. Working conditions were also correspondingly improved.

The improvements in the conditions of life of the peasants have been noteworthy. Compared with 1949, the purchasing power of the peasants increased in 1950 by 33 per cent; the sale of cotton cloth increased from an average of one bolt per ten persons to one bolt per four and a half persons. Many peasants have bought new carts and draft animals, new clothes and quilts, built new houses and raised more livestock.

* * *

Regarding the plans of the communist regime in the current year, and permitting more insight in the spirit of the

* One unit is equivalent to the value of 1.63 catties of assorted grains, 5.5 catties of coal, 0.035 catties of vegetable oil, 0.045 catties of salt and 0.2 square feet of cloth.

Foreign Trade

While the trade figures for Taiwan between 1949, and 1950, are not comparable because in 1949, the trade of Taiwan with Mainland China was not considered as external trade, it is nevertheless safe to say that Taiwan's external trade in 1950 had expanded considerably as compared with 1949, partly as a result of the barter trade agreements with Japan. Exports in 1950 totalled about US\$92,000,000, an increase of more than 100% over 1949, and imports with foreign exchange supplied by the Bank of Taiwan amounted to about US\$91,000,000, showing an increase of more than 200% over 1949. This import figure, however, did not include self-finance imports or ECA supplies. The latter amounted to about US\$20,000,000 and the former was conservatively estimated at US\$25,000,000.

The table below shows the principal items of exports and imports during the year under review. Sugar was the major export, constituting nearly 80% of the total exports, while cotton textiles and metals were the chief imports, occupying 14% and 10% respectively of total imports under the Bank of Taiwan's financing

Exports

Item	Amount in US\$1,000	%
Sugar	74,251	79.8%
Tea	2,693	2.9
Rice	2,870	3.1
Fruits-fresh dried, pres'd	1,255	1.4
Cement	27	0.1
Camphor	1,170	1.3
Bamboo	75	0.1
Bamboo Shoots	111	0.1
Feathers	272	0.3
Rice Paper	82	0.1
Canned Goods	116	0.1

Amount in

Item	US\$1,000	%
Salt	1,919	2.1
Citronella oil	1,633	1.7
Coal	368	0.4
Hat Bodies	468	0.5
Metals	457	0.5
Silver Bar & Coin	1,840	1.8
Others	3,465	3.7
	US\$93,074	

Imports

Item	Amount in US\$1,000	%
Rice	6,371	6.9%
Beans	4,099	4.6
Bean Cakes	2,515	2.8
Wheat Flour	5,494	6.1
Peanut Oil	1,187	1.4
Oil & Wax	2,059	2.3
Medicines	3,618	3.9
Chemicals	2,020	2.2
Fertilizers	5,407	5.8
Cotton & manufactures	13,213	14.4
Paper & Pulp	1,312	1.4
Metals & manufactures	9,562	10.3
Auto-car & Accessories	1,784	1.9
Bicycles & Accessories	3,527	3.8
Electrical Mat'l	1,457	1.6
Machinery	5,993	6.5
Rubber & manufactures	1,340	1.3
Fish-dried, salted	1,020	1.2
Milk & Milk powder	1,409	1.6
Cigarettes & Tobacco, Wines	1,178	1.4
Gold Bar	4,315	4.7
Others	13,016	13.9
	US\$91,618	

Note: The above import figures do not include self-financed imports or ECA supplies.

CCP, Kao Kang elaborated as follows:—

"What do we plan to do in 1951? First and foremost, we must further strengthen our national defence forces, train new technical troops, strengthen our air and sea defences, systematically train public security troops and militiamen and improve our military supply system, military engineering and hygiene, according to the plans drawn up by the People's Revolutionary Military Council of the Central People's Government, so as to adapt ourselves to the needs of a modern national defence force. We must also take adequate care of dependents of members of the armed forces. This will strengthen our armed forces.

Secondly, so far as industrial production and construction is concerned, we plan to develop the engineering industries actively and systematically in the light of the needs and concrete possibilities of national defence and economic construction. The total value of the output of enterprises under the control of the Department of Industry in 1951 is expected to be 18 per cent higher than that of 1950. And the value of the output of the means of production is expected to constitute 85.1 per cent of this total. The production of consumers' goods is also expected to increase so as to satisfy the needs of the rising standard of living of the people.

Thirdly, in agricultural production, the yield of each hectare of farmland in 1951 is expected to increase by 6 to 7 per cent. A production target of 19 million tons of grain has been set. To satisfy industrial needs, it is planned to enlarge the area of cultivation of special crops: 420,000 hectares will be allocated to cotton—an area sufficient to produce 90,000 tons of ginned cotton, while 96,000 hectares will be planted to produce 65,000 tons of hemp.

An afforestation programme will be started this year to extend the shelter belt in the western part of Northeast China. Three million cubic metres of timber will be felled according to plan. Surveys and preparatory planning will also be started this year for the permanent flood control project of the Liao River system.

In order to carry out the primary task of facilitating the interflow of goods between the towns and the countryside, the total value of sales of state trading companies in the Northeast will be 28 per cent higher than last year and that of cooperatives, 27.5 per cent higher.

Those responsible for communications, especially the railroads, must make every effort to fulfil the nation's transportation plan. We will systematically repair and build highways and improve our telecommunication services in accordance with the needs of national defence and the economy.

The 1951 financial plan calls for an increase of urban tax revenue and an improvement of methods of collection as a result of the development of the national economy. It also calls for an increase in the profits from public enterprises as a result of improvements in the operation and management of these enterprises. These measures together with the levy and collection of "public

MALAYA'S FOREIGN TRADE FOR 1950

The foreign trade of Malaya (Singapore and the Federation of Malaya) for 1950, according to figures issued by the Registrar of Malayan Statistics, amounted to M\$6,852.58 million, an increase of \$3,333.46 million or 94.7% as compared with the total of \$3,519.12 million for 1949. Exports exceeded imports by \$1,069.75 million, as compared with an imports excess of \$161.26 million in 1949. The monthly average for imports during 1950 totalled \$240,951,087 and for exports \$330,097,181 as against \$153,349,163 for imports in 1949 and \$138,991,161 for exports. Imports of bullion and specie during the year (included in the above amounts) were valued at \$279,900 and exports at \$3,561,827.

	1950 M\$	1949 M\$
Total trade (incl. bullion & specie) ..	6,852,579,230	3,519,122,696
Imports ..	2,891,413,052	1,840,189,958
Exports ..	3,961,166,178	1,678,932,738

Trade by Countries

The leading countries trading with Malaya during 1950 were: U.S.A. first with a total trade in merchandise of \$1,128 million, United Kingdom second with \$1,053.7 m., and Indonesia third with \$1,027.7 m. Hongkong's trade rose from \$113.7 m. in 1949 to \$382.97 m. last year, or an increase of 237%. Japan's trade also advanced by 189.9% to \$208.97 m. as against \$72.08 m. in 1949. Total trade with China amounted to \$219.7 m. as compared with \$82.95 m. last year, an increase of 164.9%. Australia rose to \$251.84 m. as against \$175 m.

Below are given some of the main items in Malayan trade with the principal countries concerned. Values are in Malayan dollars, (million) and amounts in brackets show 1949 figures. Imports indicate imports into Malaya and exports refer to goods despatched abroad.

U S A

	\$	\$
	(million)	
Total Trade	1,137.19	(542.95)
Imports	89.04	(112.66)
Exports	1,048.15	(430.29)

Imports: Other food and non-dutiable drink \$12 m., miscellaneous articles wholly or mainly manufactured \$11.66

grain" (the agricultural tax in kind) in a fair and reasonable manner, will provide the funds for national defence expenditure, for investments in economic and cultural construction, for public health works and other constructive enterprises. They will also serve to ensure a stable price level.

The total value of the output of state industries and agriculture in the Northeast in 1951 will be 13.8 per cent higher than in 1950.

Such is the general picture of the measures planned to strengthen our national defence and economic construction in 1951 under the over-all aim of consolidating our national defence."

m., machinery \$11.17 m., iron and steel \$4.85 m.; oils, fats and resins manufactured \$6.83 m.; other textile materials \$6.59 m.; vehicles (including locomotives, ships and aircraft) \$4.43 m.; drink, dutiable and tobacco \$5.17 m.; paper and paperware \$4.69 m.; cotton yarn and manufactures \$4.15 m.; cutlery, hardware, implements and instruments \$2.24 m.

Exports: Rubber and guttapercha \$789.40 m.; (1949 \$208.24 m.) non-ferrous metals and manufactures \$243.43 m.; other food and non-dutiable drink \$6.97 m.; seeds and nuts for oil, oils, fats and resins and gums \$2.42 m.;

United Kingdom

	\$	\$
	(million)	
Total Trade	1,052.71	(588.74)
Imports	505.84	(383.38)
Exports	546.87	(205.36)

Imports: Drink, dutiable, and tobacco \$68.79 m.; vehicles (including locomotives, ships and aircraft) \$64.83 m.; other food and non-dutiable drink \$56.44 m.; machinery \$49.91 m.; cotton yarn and manufactures \$46.21 m.; miscellaneous articles wholly or mainly manufactured \$36.88 m.; iron and steel and manufactures thereof \$35.84 m.; electrical goods and apparatus \$30.32 m.; chemicals, drugs, dyes and colours \$29.27 m.; earthenware, glass and abrasives \$20.24 m.; rubber manufactures \$11.40 m.; non-ferrous metals and manufactures \$9.49 m.; cutlery, hardware, implements and instruments \$9.1 m.; oils, fats and resins manufactures \$6.80 m.; paper and paperware \$6.5 m.; manufactures of other textile materials \$5.94 m.; woollen goods \$5.76 m.; meat and meat products \$2.43 m.;

Exports: Rubber and guttapercha \$431.59 m.; non-ferrous metals and manufactures thereof \$41.94 m.; seeds and nuts for oil, oils, fats, resins and gums \$40.89 m.; other food and non-dutiable drink \$10.03 m.; wood and timber \$9.54 m.; grain and flour \$3.20 m.; cotton yarn and manufactures \$2.09 m.

Indonesia

	\$	\$
	(million)	
Total Trade	1,027.77	(456.10)
Imports	770.78	(317.43)
Exports	256.90	(138.67)

Imports: Rubber and guttapercha, \$442.30 m.; oils, fats and resins manufactured \$160.94 m.; other food and non-dutiable drink \$71.63 m.; seeds and nuts for oil, oils, fats resins and gums \$53.88 m.; miscellaneous raw materials and articles mainly unmanufactured \$9.10 m.; wood and timber, \$8.71 m.; grain and flour \$6.88 m.; feeding stuffs for animals \$5.30 m.; animals, living, for food \$3.87 m.; drink, dutiable and tobacco \$2.83 m.; cotton yarn and manufactures \$1.61 m.

Exports: Cotton yarn and manufactures \$100.86 m.; other food and non-dutiable drink \$36.46 m.; manufactures of other textile materials \$26.63 miscellaneous articles wholly or mainly manufactured \$12.23 m.; drink, dutiable, and tobacco, \$12.17 m.; apparel \$11.13 m.; vehicles

including locomotives, ships and aircraft \$7.64 m.; chemicals, drugs, dyes and colours \$6.35 m.; iron and steel and manufactures thereof \$5.73 m.; earthenware, glass and abrasives \$5.53 m.; paper and paperware \$5.29 m.; grain and flour \$5.98 m.; electrical goods and apparatus \$3.34 m.; cutlery, hardware, implements and instruments \$3.09 m.; machinery \$3.02 m.; rubber manufactures \$2.19 m.

Sumatra (excluding Rioluw and Lingga)

	\$	\$
Total Trade	667.68	(281.92)
Imports	561.44	(222.33)
Exports	86.24	(59.53)

Imports: Rubber and guttapercha \$299.07 m.; chemicals, drugs, dyes and colours \$148.35 m.; seeds and nuts for oil, oils, fats, resins and gums \$37.33 m.; miscellaneous raw materials and articles mainly unmanufactured \$6.02 m.; wood and timber \$6.00 m.

Exports: Cotton yarn and manufactures \$29.56 m.; silk and silk manufactures \$8.45 m.; apparel, \$7.61 m.; other food and non-dutiable drink \$7.30 m.; miscellaneous articles wholly or mainly unmanufactured \$6.78 m.; iron and steel and manufactures thereof \$3.40 m.; vehicles (including locomotives, ships and aircraft) \$3.24 m.; earthenware glass and abrasives \$2.07 m.; chemicals, drugs, dyes and colours, \$2.44 m.; paper \$2.4 m.

Thailand

	\$	\$
Total Trade	389.87	(237.64)
Imports	317.29	(193.07)
Exports	72.08	(44.57)

Imports: Grain and flour \$181.15 m.; non-ferrous metalliferous ores and scrap \$49.66 m.; other food and non-dutiable drink \$29.05 m.; rubber and guttapercha \$23.34 m.; feeding stuffs for animals \$11.72 m.; seeds and nuts for oil, oils, fats, resins and gums \$8.09 m.; wood \$5.35 m.; miscellaneous articles, wholly or mainly manufactured \$2.08 m.; leather and manufactures thereof \$1.79 m.

Exports: Oils, fats and resins thereof \$12.09 m.; cotton yarn and manufactures \$11.75 m.; other food and non-dutiable drink \$10.62 m.; vehicles (including locomotives, ships and aircraft) \$7.32 m.; rubber manufactures \$4.71 m.; manufactures of other textile materials \$4.65 m.; machinery \$3.17 m.; earthenware, glass and abrasives \$2.87 m.; chemicals, drugs, dyes and colours \$2.83 m.; miscellaneous articles wholly or mainly unmanufactured \$2.69 m.; iron and steel and manufactures \$2.57 m.

Iloungkoc

	\$	\$
Total Trade	309.50	(113.72)
Imports	106.44	(47.70)
Exports	203.06	(66.02)

Imports: Apparel \$27.97 m.; miscellaneous articles wholly or mainly manufactured \$13.81 m.; other food and non-dutiable drink \$11.81 m.; cotton yarn and manufactures \$9.17 m.; chemicals, drugs, dyes and colours \$4.56 m.; electrical goods and appliances \$3.39 m.; iron and steel and manufactures thereof

\$3.22 m.; silk and silk manufactures \$3.94 m.; earthenware, glass and abrasives \$2.37 m.

Exports: Rubber and guttapercha \$132.75 m.; cotton yarn and manufactures \$21.54 m.; oils, fats and resins manufactured \$19.46 m.; seeds and nuts for oils, oil, fats, resins and gums \$5.46 m.; other food and non-dutiable drink \$3.91 m.; wood and timber \$2.84 m.; non-ferrous metals and manufactures thereof \$1.95 m.; vehicles (including locomotives, ships and aircraft) \$1.90 m.; manufactures of other textile materials \$1.86 m.; chemicals, drugs, dyes and colours \$1.43 m.; rubber manufactures \$1.31 m.

India

	\$	\$
Total Trade	274.62	(128.29)
Imports	195.67	(67.40)
Exports	75.95	(60.89)

Imports: Cotton yarn and manufactures \$167.26 m.; manufactures of other textile materials \$7.48 m.; other food and non-dutiable drink, \$6.02 m.; drink, dutiable and tobacco \$2.64 m.; apparel \$2.11 m.

Exports: Non-ferrous metals and manufactures thereof \$18.79 m.; seeds and nuts for oil, oils, fats, gums and resins \$15.92 m.; other food and non-dutiable drink \$14.77 m.; oils, fats and resins manufactured \$13.44 m.; feeding stuffs for animals \$5.91 m.; rubber and guttapercha \$3.11 m.; non-ferrous metalliferous ores and scrap \$1.57 m.

Australia

	\$	\$
Total Trade	251.97	(175.10)
Imports	110.98	(103.25)
Exports	140.99	(71.85)

Imports: Other food and non-dutiable drink \$44.46 m.; grain and flour \$38.61 m.; meat and meat products \$9.09 m.; machinery \$2.91 m.; chemicals, drugs, dyes and colours \$1.93 m.; animals, living, for food \$1.90 m.

Exports: Rubber and guttapercha \$63.51 m.; oils, fats and resins manufactured \$50.73 m.; other food and non-dutiable drink \$7.13 m.; miscellaneous raw materials and articles mainly unmanufactured \$6.73 m.; non-ferrous metals and manufactures thereof \$3.43 m.

Sawarak

	\$	\$
Total Trade	221.71	(108.95)
Imports	163.13	(81.72)
Exports	58.58	(27.23)

Imports: Rubber and guttapercha, \$93.21 m.; oils, fats and resins manufactured \$60.78 m.; seeds and nuts for oils, fats, resins and gums \$3.04 m.; other food and non-dutiable drink \$4.64 m.

Exports: Other food and non-dutiable drink \$12.56 m.; cotton yarn and manufactures \$10.13 m.; drink, dutiable, and tobacco \$5.02 m.; grain and flour \$3.49 m.; miscellaneous articles wholly or mainly manufactured \$3.46 m.; machinery \$3.13 m.; manufactures of other textile materials \$2.23 m.; apparel \$2.19 m.; oils, fats and resins manufactured \$2.12 m.; chemicals, drugs, dyes and colours \$2.03 m.

China

	\$	\$
Total Trade	219.73	(62.95)
Imports	95.72	(76.08)
Exports	124.01	(8.87)

Imports: Other food and non-dutiable drink \$28.63 m.; cotton yarn and manufactures \$11.69 m.; miscellaneous articles wholly or mainly manufactured \$11.11 m.; chemicals, drugs, dyes and colours \$8.97 m.; seeds and nuts for oils, fats and resins \$6.40 m.; grain and flour \$6.15 m.; paper and paperware \$3.54 m.; miscellaneous raw materials and articles mainly manufactured \$2.90 m.; manufactures of other textile materials, \$2.65 m.; drink, dutiable, and tobacco \$2.38 m.; silk and silk manufactures \$2.29 m.; earthenware, glass and abrasive \$2.25 m.; feeding stuffs for animals \$2.15 m.; apparel \$1.36 m.

Exports: Rubber and Guttapercha \$123.49 m.

Japan

	\$	\$
Total Trade	208.97	(72.08)
Imports	93.53	(41.81)
Exports	115.44	(30.27)

Imports: Manufactures of other textile materials \$39.19 m.; cotton yarn and manufactures \$25.09 m.; other food and non-dutiable drinks \$12.70 m.; earthenware, glass and abrasives \$6.71 m.; miscellaneous articles wholly or mainly manufactured \$4.93 m.; iron and steel and manufactures thereof \$4.46 m.; cutlery, hardware, implements and instruments \$1.97 m.; non-ferrous metals and manufactures thereof \$16.3 m.; electrical goods and apparatus \$1.75 m.

Exports: Rubber and guttapercha \$98.04 m.; iron ore and scrap \$9.35 m.; oils, fats and resins manufactured \$2.99 m.; cotton yarn and manufactures \$2.39 m.

Java

	\$	\$
Total Trade	138.04	(44.19)
Imports	62.77	(25.83)
Exports	75.27	(18.36)

Imports: Rubber and guttapercha \$38.10 m.; other food and non-dutiable drink \$11.75 m.; feeding stuffs for animals \$4.54 m.; grain and flour \$3.32 m.; seeds and nuts for oil, oils, fats, resins and gum \$1.72 m.; cotton yarn and manufactures \$1.26 m.

Exports: Cotton yarn and manufactures \$37.15 m.; other food and non-dutiable drink \$19.20 m.; manufactures and other textile materials \$6.32 m.; vehicles (including locomotives, ships and aircraft) \$3.21 m.

Canada

	\$	\$
Total Trade	125.06	(54.15)
Imports	26.78	(18.15)
Exports	98.28	(36.00)

Imports: Grain and flour \$6.57 m.; other food and non-dutiable drink \$3.48 m.; miscellaneous articles wholly or mainly manufactured \$2.11 m.

Exports: Rubber and guttapercha \$83.78 m.; non-ferrous metals and manufactures thereof \$12.68 m.

Russia (U.S.S.R.)

	\$	\$
Total Trade	121.69	(53.84)
Imports	0.01	(0.01)
Exports	121.68	(53.83)

Exports: Rubber and guttapercha \$120.40 m; seeds and nuts for oil, oils, fats, resins and gums \$1.27 m.

Commodities

The values of the principal articles dealt with in Malay's foreign trade during 1950 under the three main classification were as follows:

Class I: Animals, food, drink & tobacco, Imports \$792,795,804, Exports \$232,128,208.

Class II: Raw materials & articles mainly unmanufactured, Imports \$814,033,310, Exports \$2,702,574,013.

Class III: Articles wholly or mainly manufactured, Imports \$1,284,304,038, Exports \$1,022,902,133.

The most outstanding items under the above headings were:

Imports	\$ (million)
Rubber & guttapercha	618.05
Food & non-dutiable drink (other)	383.03
Oils, fats & resins manufactured	280.81
Cotton yarn & manufactures	274.41
Grain & flour	266.86
Miscellaneous articles wholly or mainly manufactured	99.38
Seeds & nuts for oil, oils, fats, resins & gums	92.59
Manufactures of other textile materials	89.88
Vehicles	77.45
Iron & steel manufactures ..	68.84
Machinery	68.58
Non-ferrous metalliferous ores ..	62.49
Chemicals, drugs, dyes & colours	60.85
Exports	
Rubber & guttapercha	2,454.54
Tin	473.62
Seeds & nuts for oil, oils, fats resins & gums	190.45
Oils, fats & resins manufactured	181.92
Food & non-dutiable drink (other)	174.83
Cotton yarn & manufactures ..	160.84

Malaya's Trade with Australia

Trade statistics show Malaya's trade with Australia to be on the right side of the ledger to the value of M\$21.2 millions for the month of March 1951, compared with a monthly average surplus of \$2.5 millions for 1950 and a monthly deficit of \$2.6 millions in 1949. Table I shows a total of more than \$33 millions worth of exports to Aus-

tralia in March 1951, compared to \$13 millions in March 1950. Imports for the same months show a slight decrease for 1951. Table II details the export and import items in which the main movements have occurred, namely in rubber, tin and petroleum for export and meat, meat products and other food and drink for imports.

TABLE I

Malayan Imports and Exports from Australia
(Thousand Malayan Dollars)

Excluding: Parcel Post Bullion and Specie Ships Stores and Bunkers. Source: I and E. II, Department of Statistics

	Total 1949	1950 February	1950 March	Total 1950	1951 February	1951 March
Imports	103,250	6,305	13,407	110,979	7,871	12,545
Exports	71,853	6,477	13,782	140,998	16,334	33,710

TABLE II

Malayan Imports and Exports, Trade with Australia, showing notable increases and decreases by commodities, between the month of March, 1950 and March, 1951

	Quantity Unit of	1950 Quantity	1950 Value in \$	1951 Quantity	1951 Value in \$
IMPORTS					
Wheat and Wheat Flour	Tons	12,406.00	4,609,201	14,863.00	4,827,785
Other Manufactured Cereals ..	"	476.00	138,441	193.00	74,649
Beef Frozen	"	380.00	366,511	149.00	151,681
Mutton and Lamb	"	423.36	413,035	84.47	73,213
Pork, Frozen and Salted	"	59.27	91,739	40.14	70,330
Canned Meats	"	37.27	74,613	70.05	168,467
Meats, Other sorts	"	359.42	376,972	22.18	27,668
Live Sheep	No.	6,482.00	162,233	6,091.00	25,205
Butter and Cheese	Tons	82.40	200,173	73.90	367,876
Chocolate, Sweets and Confectionery	Lb.	56,025.00	37,015	170,522.00	102,287
Eggs in shells	Hundreds	19,390.00	1,693	13,475.00	132,455
Fruits, tinned	Tons	36.55	28,262	140.80	114,494
Milk, Condensed, Sterilized & Sweetened, Tinned	Cases	193,162.00	3,364,119	119,744.00	2,333,963
Milk, Powder, all sorts	Lb.	691,142.00	679,601	482,625.00	414,842
EXPORTS					
Timber	Tons	370.21	55,102	1,054.00	185,968
Rubber, all sorts	"	3,949.00	4,356,007	5,285.00	22,418,447
Mineral Phosphates	"	—	—	20,650.00	443,975
Tin in Blocks	"	3.00	14,507	191.50	2,174,486
Petroleum	"	58,405.00	5,569,560	58,328.00	9,679,115

HONGKONG FISH MARKETING ORGANISATION

Report for April 1951

On the whole, April was a good month with fresh fish landings higher than ever before.

The estimated number of fishing days: Trawlers 10 to 12 days; Long Liners 14 to 18 days; Purse Seiners 18 to 20 days.

Purse Seiner fishermen, now in their main season, had varying fortunes; those from Shauiwan reported average fishing, but in-shore purse seiners from the New Territories, Aberdeen and Cheng Chow complained that unfavourable weather had interfered with fishing operations.

The White Herring season is now under way and landings of this species are on the increase.

Buyers Activities

There was a sharp increase in the quantity of locally produced salt/dried fish exported to Taiwan. This is taken to be a healthy sign and there are hopes that this trade will increase. Small quantities of fresh fish were again exported to Singapore and Macao.

Prices

In comparison with March, there was a slight rise in the average prices of both fresh and salt/dried fish. For the time of the year, however, fresh fish is quite cheap, being some 5 cents cheaper than that of last year. The low landings of salt/dried fish were no doubt responsible for the increase of 13 cents per catty over last year.

Monthly Costs of Fishermen's Requisites

	April, 1950	April, 1951
Ramie (per picul)	\$230.00 to \$300.00	\$280.00 to \$350.00
Shu Leung (per picul)	55.00 to 80.00	58.00 to 72.00
Tung Oil (per picul)	210.00 to 230.00	250.00 to 290.00
Salt (per picul)	3.80 to 5.00	5.50 to 6.50
Ice (per block)	6.00 to 7.50	6.50 to 8.00

Mechanised Vessels

The Mechanised Fleet now comprises 124 vessels.

During the month 1 Native type "Long Liner," 6 Native type "Fish Collector" and 2 Japanese Schooner type Trawlers were licensed. One Native type "Hand Liner" had the engines removed and was reconverted to a sailing fishing junk.

Supply of Water to Fisherfolk

Arrangements have been made for the supply of fresh water to fishermen at Aberdeen Depot and Kowloon Market. During April, 133,000 gallons were supplied at Aberdeen and 127,850 gallons at Kowloon. The fisherfolk much appreciate this service which, at \$2.00 per 1,000 gallons, means a considerable saving for them.

Allocation of Kerosene and Diesel Oil

With black market prices of kerosene becoming more reasonable, there was a slight decrease in demand during the early and middle parts of the month. In the last week there was an increase in black market prices and this brought the fisherfolk for their allocation as usual. Diesel oil allocation remained normal.

HONGKONG VEGETABLE MARKETING ORGANISATION

Report for April 1951

The beginning of April, 1951 saw a general decrease in the quantity of vegetables handled.

Although better than that of last year, local production was not good. It is thought that the unusually high prices which prevailed during the month may encourage farmers to stick to vegetable production during the coming months, but shortage of fertilizer (night-soil) supplies remains a serious problem.

Distribution of Matured Night-soil

Arrangements were made during the month to take over the bulk of this distribution work where otherwise feasible by May 1.

Vegetable Collecting Centres in the New Territories

Many meetings were again held with farmers to discuss the starting of Collecting Centres. It is hoped to start up new Centres in Sheng Shui, Kam Tin and Tai Po in the near future.

Average Wholesale Prices (all types)

	Local		Imported	
	1950	1951	1950	1951
	\$	\$	\$	\$
Jan.	17.32	14.69	21.44	18.80
Feb.	18.93	12.61	25.75	17.26
Mar.	18.32	18.12	20.50	19.96
Apr.	24.40	24.13	20.79	22.46
May	23.81		31.56	
June	21.39		17.13	
July	17.59		15.77	
Aug.	18.12		18.37	
Sept.	21.71		20.00	
Oct.	27.23		23.34	
Nov.	18.67		18.72	
Dec.	20.24		19.82	

Due to a decrease in supplies, there was a considerable increase in price at the beginning of the month and prices remained firm throughout. Locally produced vegetables brought unusually good prices.

FINANCIAL REPORTS

HONGKONG EXCHANGE & GOLD MARKETS

The collapse of the communist offensive in Korea has heralded a new period of composure though not complacency in this part of the world. There are now some better founded hopes that the communists will agree to come to terms; they must have by now realised that their warring potential is still far from being adequate to challenge a combination of free nations under the forceful leadership of the U.S.

The anniversary of the outbreak of the war in Korea is approaching and there should be some opportunity to mark that disastrous day—June 25—by entering into negotiations with a view to terminating the wholesale destruction of the Korean people and country. The bloodshed and the annihilation of the nation's as well as most individuals' properties has been so thorough that little by way of destruction remains to be done. The guilt is wholly to be placed on the shoulders of the Cominform, the North Korean communist regime, the Peking regime and last, and probably first, the world revolutionary masterminds of the Kremlin. The Korean people will have to pay for the disunion which the nation fell prey to after Japan was compelled to give up its empire; it would have been better if Korea would have remained, for several years, under political tutelage of the U.N. but the temper of the Koreans themselves militated against this solution of the post-war Korean problem.

Hongkong has gone through many crises since last June; there were extremely pessimistic forebodings and many business leaders appeared to have lost their good sense when preparations for leaving the colony were made. The Americans were perhaps the most jittery of all; official advices from Washington made things even worse. The suggestion to US nationals here to see their family members away and the closure of the Chase Bank had many upsetting consequences but on the whole the community carried on, and in the end, with the sweeping victory of the UN forces in Korea, their optimistic appraisal of the outcome of the great struggle in the north proved right. The fears expressed here, especially when the communists seemed to have it all their own way and were cutting into the UN lines last November, that the Chinese Reds would embark on an interventionist policy in Indochina and also on certain acts of hostility against Hongkong, though at one time proving to be of some substance, have now been lifted from the minds of people here, and a brighter outlook is observed everywhere.

The Chinese communists have, as their military prowess was shown up as not of very great consequence, made themselves very unpopular among the overseas Chinese as a result of their wholesale killings of so-called political opponents. The tide is turning, and everywhere in East Asia, where not so long ago pro-Peking sentiments were expressed, an antagonistic feeling is building up which

may in due course have its effect on the internal situation in communist China. The atrocities committed by the communists have also alienated what foreign sympathies Peking had earlier commanded; even the leftist groups in Europe are showing, to say the least, surprise at the un-Chinese and very typically Russian-Bolshevik method of mass liquidation of 'reactionaries and other vermin'. The Taiwan-exiled Kuomintang regime have, without knowing how, profited from the misdeeds of the Peking regime, and Chiang Kai-shek's chances to regain popular support have considerably risen. The Generalissimo, in spite of the bad record of his inner circle and ardent supporters, is slowly emerging as a political force—once again in China whose modern history is inseparable from the name of Chiang. As the overseas Chinese, by & large, are viewing Peking with growing suspicion, the erstwhile dislike of the Kuomintang is quickly forgotten and, with the old Romans, everybody says: *E duobus malis, minus eligendum*. Yes, the KMT is by far the lesser evil, and its return to power, in league with other parties, groups and even 'neo-communists', must be taken into consideration when calculating the political future of China.

America's foreign policy in the Far East, in the light of the remarkable successes of the UN forces in Korea and considering the partial leaks of America's stupendous rearmament figures as well as the advance in the creation of ever more destructive weapons, will stand justified when the time for final reckoning arrives. Provided that the war in Korea can be brought to a negotiated end, which would, by the very fact of the UN victories scored in the field, expose the inner weakness of the communists, the Peking-Moscow bonds may undergo, imperceptibly at first, ruptures which should—this is at least the fervent hope—issue in the break-away of China from the despotism of Moscow. Then a new era in Far Eastern political life will start. However, even if the communists do not enter into and finally conclude a truce and peace arrangement in Korea, the military position of the combined Chinese and Korean red armies is such as to effectively discourage any further mounting of offensives, and thus the communist forces may retreat to within sight of the Manchurian border where they would be satisfied to lead a guerrilla war until another more opportune moment for attacking the UN would have arrived. The loss of 'face' of the Peking armies is of tremendous psychological impact; the massacres conducted inside Red China prove that. The whole empty propaganda of Peking which taunted America as a 'paper tiger' has been exposed before the world audience; the 'paper tiger' has torn into the 'People's Liberation Army' and the holes it made cannot be repaired.

Now Hongkong is getting back to a more normal routine; plans for evacuation and business curtailment have been shelved. They nevertheless are held as it were in cold storage. All the markets reflect the better feeling and operators are putting away their habitual frowns.

A sense of greater security—without which business, of course, cannot flourish—is in evidence, and the state of alert and high training of the local defence forces is noticed with satisfaction. That the community can rely on the ability of the British land, sea and air forces to defend Hongkong against a communist attack from the mainland is now no longer doubted. The recent military conference in Singapore where British, French and US commanders participated has had a further reassuring effect. Significant was the participation of the US in the conference and observers are quite correct when assuming that the US will shoulder the major burden when it comes to defending the whole of South and Southeast Asia against communist aggression. Hongkong is as important to America as it is to Britain, and last but not least, to the Hongkong citizen. To be prepared and to be determined is the best policy to take in the face of potential aggression—and thus peace may be assured. It remains today as in ancient times: *si vis pacem, para bellum*. And Hongkong is well prepared, and therefore can afford to relax.

* * *

Review for the week May 21-26:—GOLD:—Highest & lowest rates per .945 fine tael \$320-5/8—316½, equiv. to .99 fine tael and oz rates of \$335.89—331.57 and \$279.14—275.55. Crossrates US\$44½ high, 44 low.

Day-to-day rates per .945 fine tael were: \$319-5/8—317-7/8; 319-316-7/8; 320-5/8—318-3/8; 319-7/8—317-7/8; 319-7/8—318½; 318-316½. Week's opening 319½, closing 316-5/8.

The market was very quiet, operators were holding back. Gold Exchange reported small turnover, and the Committee introduced regulations to stop the Shanghai bucketshops from operating outside the Exchange. The Committee proposed to raise the minimum trading unit, from at present 10 taels to 50 taels pf .945 fine. At the general meeting of the Exchange, on May 24, the regulation regarding Shanghai bucketshops was passed but the raising of the trading unit was opposed.

Change-over interest favored sellers at the rate of 12cts—only 2% yield p.a. Smaller ready delivery stocks, easy money caused the drop in interest rate. Tradings totaled 165,400 taels, a daily trading average of 25,900. Positions: 96,500. Cash bars: 35,500 taels of which 13,400 officially, 22,100 privately traded. Interest hedgers took up 23,000, exporters 12,000, goldsmiths 500. Exports to: Bangkok 7500, Singapore 4500. Imports: 13,500 taels, all from Macao. Export bar premium (difference for .99 fine bar) \$15.60—16; for .97 fine bar \$8.40—8.50. Macao contracts at US\$43.80 cif Macao, totals 3200 taels. No arrival was reported in Macao but one load of 30,000 ozs is expected before May 30.

SILVER:—Idle market. Sales: 42,000 taels. Quotations: \$4.11—4.12 per tael, \$3.92—3.93 per dollar coin.

US\$:—Highest & lowest rates for US notes \$628—621½, DD 628½—622½, TT 633—625 Crossrates US\$2,527—2,566. Daily highest & lowest TT rates: \$626—625;

627—625; 633—627½; 631—630½; 631—630½; 630½—629½.

Firm undertone. Sellers were reluctant. Merchant demand on the increase. Also US nationals, for transfers to New York, patronised the market. Sales: TT US\$ 1,250,000, DD and notes 785,000.

BANK NOTES:—Rates on the whole unchanged. Piastre quoted \$13.00—13.35 per 100, baht 28.60—28.80, Indonesian rupiahs 38 per 100. Sterling sold at \$15.73—15.85, Australia 12.63—12.73, India 1.17½—1.18½, Malaya 1.80—1.81, Canada 5.81—5.84, Manila 1.78—1.82, Macao 1.05½—1.08. Yen per 10,000 \$157—166.

CHINESE EXCHANGE:—Official rates in China unaltered, viz. London 62,970—62,350, New York 22,470—22,270, Hongkong 3920—3880. Free market rates for PB yuan improved, reflecting reduced outlet for communist China funds in Hongkong, heavier demands for Chinese remittances due to approaching Dragon Boat Festival, reduction of offers by smugglers as imports into China from Hongkong are most difficult to transport unless officially sanctioned. Rates in HK\$ for PB yuan 23½—257 per one million (sales 380 million), for DD Canton 228—232, Amoy 250—256 (sales 650 m.). PB yuan appreciation was steady, approaching official rates, discount amounting now only to 5—7% HK\$ exchange with Canton 98—99, Swatow 93, in favor of Hongkong (sales HK\$ 125,000). Gold and US\$ exchange with Shanghai 99½—98½ and 88—89 respectively. Sales: very small, Gold and US\$ exchange with Taiwan quoted at par and 98; small turnover.

DOMINION RUBBER COMPANY, LTD.

At the 32nd Ordinary General meeting of the Dominion Rubber Co., Ltd., held last week, the chairman in his report stated that "although it is to be regretted that the results of the year's working do not yet permit the payment of a dividend, considerable progress has been made along the road to recovery and the debit balance of \$239,818 brought forward last year has been reduced to a figure of \$24,125 to be carried forward to the new account." The profit for the year ended December 31, 1950, amounted to \$214,086 as compared with \$19,637 for 1949.

The Chairman also pointed out that the security position in Malaya had been of grave concern throughout the year and had had a marked effect on the working of both the Dominion Estate and Hendra Estate. In both areas, although many miles apart, conditions had been much upset. The field conductor had been

murdered on the Hendra Estate and one of the Security Force personnel killed in an ambush.

Estates situated in dangerous areas are unpopular with labour, particularly at the present time when competition for labour is keen. Output was affected because of this shortage of tappers resulting in some 112,294 lbs. being tapped below that of last year and 134,946 lbs. lower than the figure estimated. The lower output plus the additional cost in wages accounted for the rise in cost of production to 44.06 Mal. cents per lb.

The sum of \$80,192 was spent during the year on re-planting, and other capital expenditure absorbed \$40,262. Eight-two acres had been replanted on Dominion Estates during the year, but no further replanting on either estate will be undertaken during the current year, all available labour being required for the upkeep of previous replantings.

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DOUGLAS STEAMSHIP COMPANY

At the annual meeting of the Douglas Steamship Company held last week, it was reported that in spite of disappointing trading results during last year, the profit for the year had amounted to \$120,068, which with the balance brought forward from 1949 amounting to \$233,103 and the net profit on the sale of s.s. Hai-

tan of \$145,612 made the sum of HK\$ 496,784 available for appropriation.

After appropriating \$6,939 to dispose of an outstanding item for 1941, the transfer of \$200,000 was made to Investment Reserve and a dividend of \$5 per share free of tax being paid a balance of \$192,414 was carried forward to the new account.

* * *

Prospects for Investments in Singapore

A country which is to a large extent dependent on the world prices of one or two primary products is in a precarious position, points out the Singapore Economic Affairs Branch in its Economic Information Bulletin. If the price of those primary products (which in the Federation and Singapore are, of course principally rubber and tin) falls over a prolonged period, the countries whose economies are dependent on them must endure the consequences of a lower standard of living, unemployment and the other evils which accompany a slump.

It is the policy of the Singapore Government to aim at achieving what is known as a diversified economy as soon as possible. This means an economy which has more than just two important eggs in its basket. The most effective way of obtaining this result is to encourage the establishment of manufacturing or "secondary" industries which give employment and create new forms of wealth for the community.

There are two facets to this problem from the Government's point of view. One is the question of minimising artificial obstructions to the prospective investor; the other is to give him positive encouragement. The first of these objects is relatively easy to accomplish and merely a question of administrative policy.

Amongst the artificial obstructions the most important at the present time are taxation and foreign exchange regulations. In respect of these the policy of the Singapore Government is not unfavourable to the investor. Personal and Company income tax are levied at a lower rate than is usual in an industrial country today and capital allowances are given on industrial plant, machinery and building.

Under the present policy, current profits may be remitted to the country of permanent residence of any shareholders, while investments made by non-residents for approved projects can be refunded to the countries of origin at

any time to the amount subscribed. Where investors are resident within the Sterling Area, movement of capital is, of course, unrestricted from the Exchange Control point of view.

In the case of companies who wish to establish a factory in Singapore but require a high proportion of raw material imports from hard currency sources certain restrictions have to be imposed. The general principle followed is that these factories may be approved if their anticipated expenditure on hard currency imports of raw materials is likely to result in a sale of finished goods which offsets such expenditure by earning an equivalent amount of hard currency or by reducing the need for importing goods from hard currency areas.

There is little that can be done by Government to give positive encouragement to local industry except by informed publicity of local conditions. Unfortunately this calls for a great deal of basic information regarding labour, communications, public utilities, raw material supplies, and export markets, which is not at present available in any detailed form. The result is that the prospective investor whether he be a resident of Singapore or a visitor from abroad has to undertake his own investigations and draw what conclusions he can from the results of what must necessarily be a superficial survey. The Singapore Government realizes the importance of acquiring basic information for the purpose of encouraging the establishment of manufacturing industries and is now investigating the possibility of undertaking an intensive survey of the Colony's industrial potential.

In the meantime it may be said that Singapore offers a great deal to the would be investor in South East Asia. There is political stability and a notable absence of labour unrest. Singapore offers the advantage of a geographical focal point in South East Asia with long established trading connections with most parts of the world. Banking and insurance facilities are good and shipping connections both for ocean and local trade are as abundant as anywhere in the region.

However, something more specific than these generalizations must be provided for the man who is thinking of investing his money here. When this task is accomplished it is hoped that concrete evidence may be given of the very real facilities which are offered by this Colony for capital investment in industry.

HONGKONG COMMODITY MARKETS

The Hongkong commodity markets last week were uneventful. Where Indian cotton yarn was concerned, the large orders placed by the Pakistan merchants having been despatched this market turned quiet, although prices remained firm. In the case of locally made yarns, prices showed an increase upon receipt of orders from Belgium and Germany (both East and West). Cotton piece goods were dull, and hopes of replenishment were indulged now that the Singapore Government has decided partially to relax export controls over textiles.

Metals dealers, as usual dependent upon whether traders in China had been successful in obtaining the necessary export permits and definitely restricted as to supplies by export controls in Europe, continued to feel frustrated. Low stocks, however, in most items kept prices firm, and in some instances the rates quoted proved too high for prospective buyers. Industrial chemicals showed surprising briskness in Rongalite C. lumps, but otherwise did not display more than the usual activity.

Cotton Yarn

After the heavy buying of the previous week Indian cotton yarns quietened down, although prices were maintained on such transactions as took place: in 10's Gokak Mills was quoted at \$1530 per bale and Modern Mills at \$1535; in 20's Sidhpura Mills sold at \$1990, the Model Mills, Nagpur, at \$1580 and No. 321 at \$1955 per bale, while Cocatoo brand was quoted at \$2040 and Gokak Mills at \$2020 per bale. Numerous buying orders from Europe brought activity to Hongkong-made cotton yarn: Double Swallow 16's sold at \$2150 per bale, Camel brand 20's went for \$2070 and Red Rose 20's for \$2100, while White Elephant 20's fetched \$2090 per bale and Flying Fish 20's sold at \$2140 per bale.

Cotton Piece Goods

The cotton piece goods market turned slower, sellers were not reduce prices on account of depleted stocks. Except in Indian grey sheeting No. 6200 which sold for \$56 per piece, very few transactions took place. Peacock drill sold at \$80 per piece.

Metals

Mild Steel Plates were extremely active, with traders from the mainland ready to buy. As stocks were low, holders were reluctant to do business and in some instances showed a readiness themselves to buy in order to resell at a profit. Prices for all specifications rose: 4' x 8' 1/32" was quoted at \$220 per picul, 1/16" sold for \$190 and 1/8" for \$132, while 3/16" was offered at \$125 per picul. Mild Steel Round Bars were in a different position. Supplies from abroad have fallen off, but the demand from the mainland has also declined due to increased production by Chinese steel factories. The few buyers from North and South China offered prices that were too low for acceptance by stock holders: 20' 1/2"

to 1" were quoted by sellers at \$64 per picul and 1 1/2" and 1 3/4" at \$65 per picul; 40' 1/2" to 1" were quoted at \$67 per picul and 1 1/2" and 1 3/4" at \$72, while 3/4" sold at \$81 and 1/2" and 5/16" were offered at \$86 and \$85 per picul respectively.

Galvanised Iron Wire showed increased activity during the week as indent prices had risen and selling prices increased accordingly: G8 to G16 were in demand; G8 sold at \$100, G10 at \$100/\$105, G12 stood firmly at \$108, while G14 fetched \$120 and G16 stood at \$130 per picul. Galvanised Iron Sheets were also in good demand during the week resulting in improved prices, especially as supplies were limited: 3' x 7' G31 rose to \$25.50 and \$26 per sheet, while 3' x 6' G30 (Japan) was quoted at \$21 per lb; G24 and G28 improved to \$2 and \$2.20 per lb. respectively.

Tinplate was generally quiet. No arrivals from USA came in, but new supplies arrived from Singapore and the UK; with lack of export facilities, however, the market remained dull. British tinplate 20" x 28" in tonnage packing fell to \$300 per 200 lbs; tinplate waste, waste, in 200-lb. packing was quoted at \$320 per case. Some US tinplate waste, waste, electrolytic, in 200-lb. cases was sold to local factories at \$305 per case. US tinplate waste ends, electrolytic, 3" to 10" was offered at \$275; and US misprint tinplate waste, waste, medium quality, changed hands at \$145 and \$140.

Industrial Chemicals

Trading on the industrial chemicals market was brisk. The interest of North China traders was particularly focussed upon Rongalite C. lumps, which have been dormant for a long time; the Japanese product in 30-kilo. case rose to \$6.40 per lb., the U. S. A. make in 112-lb. drums was quoted at the close at \$7 per lb. and the German at \$6.50 per lb., while the Czech product sold at \$6.60 per lb. Trading was also brisk in acid acetic glacial, the Dutch product in 25-kilo. carboys being transacted at \$1.60 per lb. while the 20-kilo. carboy sold at \$1.70 per lb. Dutch lithophone 30% attracted buyers by a reduction in price, sales being effected at \$1.40/\$1.42 per lb. German sodium hydrosulphite met with continued buying support, the 60-kilo packing selling at \$1340 per picul and the price at the close being raised to \$1400. ICI sodium cyanide in 1-cwt. drums was almost impossible to obtain in any quantity, stockholders being unwilling to part with their lowered stocks; sales took place at \$4.80 per lb., rising to \$5 at the close. USA caustic soda in 700-lbs. drum rose steadily in

price to \$474 per lb. Crown brand quebracho extract was in demand and sold at \$1.73 per lb., falling later to \$1.70. After its heavy sales in the previous week, petrolatum jelly weakened: US vaseline, white, in 337-lb. drums was traded at \$1.90/\$1.95 per lb.; US vaseline, yellow, sold at \$1.55 and the Dutch product at \$1.38 per lb. German carbon black in 145-lb. cases rose to \$2150 per case towards the close. Monsanto D rubber accelerators in 150-lb. drums improved to \$19.50 per lb., Monsanto M, in 224-lb. drums sold at \$15.60, and Monsanto T fetched \$25 per lb. for the 80-lb. drum.

China Produce

Vegetable oils showed activity with buying support from Europe and South Africa. Large-scale transactions in wood-oil (tungoil), however, slowed down as local sellers held to £280 per long ton while buyers from Europe counteroffered at £275. A transaction was effected at £305 per long ton c. & f. South Africa. Export quality woodoil, without drums, stood unchanged at \$256 per picul. Tea-seed oil showed some improvement in price, sales being made at \$258/\$260 per picul. Buying offers from Europe were at £231/£285 per long ton, but the recent increase on the mainland of the export floor price to £290 per long ton coupled with the low reserves held of this oil have made stockholders reluctant to accept the European offers. Sales on the local market were at \$260 per picul. Very little business took place in aniseed oil owing to a difference in the price as between sellers and buyers, the former at the close quoting \$1280 and the latter counteroffering \$1240 per picul. Cassia oil, with low stocks and several enquiries, improved in price to \$2380 per picul.

Cassia lignea remained inactive; the 1-cwt. bale 1st qual. (new) was quoted at \$75 per picul and the 80-lb. bale (new) at \$72; Honan cassia scraped was offered at \$101 per picul and cassia unscraped at \$85 per picul.